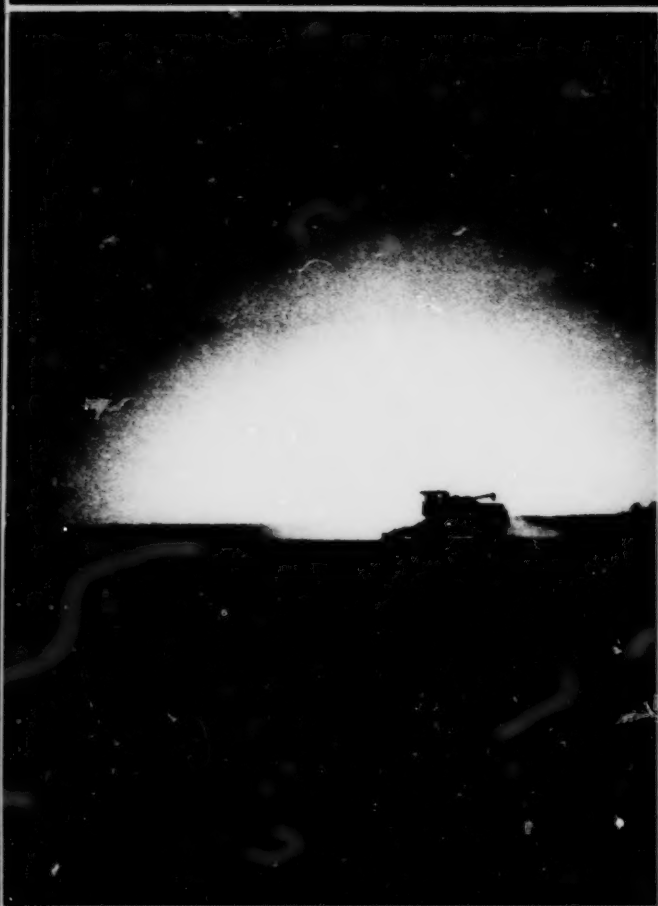


*Towards the Next Century:
Agriculture in Newfoundland and Labrador*



**The
Report
of the
Task
Force
on
Agrifoods**



The Report of the Task Force on Agrifoods

Members

H. W. "Bud" Hulan, Ph.D, Chairperson

Herbert F. MacRae, Ph.D

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February 1991

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Department of Forestry and Agriculture
Government of Newfoundland and Labrador

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February 14, 1991

The Honourable Graham R. Flight
Minister of Forestry and Agriculture
Government of Newfoundland and Labrador

Dear Sir:

The Task Force on Agrifoods, appointed by you on October 23, 1989, under Cabinet Directive C 213 - '89, is pleased to submit its findings in this Report entitled *Towards the Next Century: Agriculture in Newfoundland and Labrador*.

Respectfully submitted,

H.W. "Bud" Hulan, Ph.D
Chairperson

Herbert F. MacRae, Ph.D

A. Carl Oates, B.A., B.Ed.





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We wish to recognize the assistance and co-operation extended to the Task Force by several departments of the provincial government which provided individuals to work on secondment: the Departments of Environment and Lands, Finance, Fisheries and Executive Council (Cabinet Secretariat, Treasury Board Secretariat and the Intergovernmental Affairs Secretariat).

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Because the Task Force wanted people in all parts of our province to have an opportunity to voice their concerns and opinions, thirty public sessions were held in all regions of the province. More than a hundred formal written briefs and numerous informal verbal briefs were presented. To avoid overlooking anyone, we would like to thank individuals and groups collectively, for attending and participating in sessions and for making presentations to the Task Force. The Task Force also met privately with many individuals and groups from various sectors of the industry, government departments and institutions of higher education. To all we offer sincere gratitude.

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As Chairperson, I would like personally to thank my fellow Task Force members, Herbert F. MacRae and A. Carl Oates, for their patience, diligence, understanding and co-operation in every aspect of our work together.

Dr. H. W. "Bud" Hulan
Chairperson

Foreword

This Report reflects the results of a year-long study of agriculture and related food industries in Newfoundland and Labrador by the Task Force on Agrifoods. Because the duty of the Task Force was to prepare a document for government which outlines an agrifoods policy and strategy for the future, the Report is not a dissertation on the agrifoods sector, nor is it a textbook on the subject. Background information, such as historical development, statistical data or a more qualitative description of the nature of a particular issue, is provided only where it is directly relevant in identifying and resolving a problem, drawing a conclusion or proposing a recommendation.

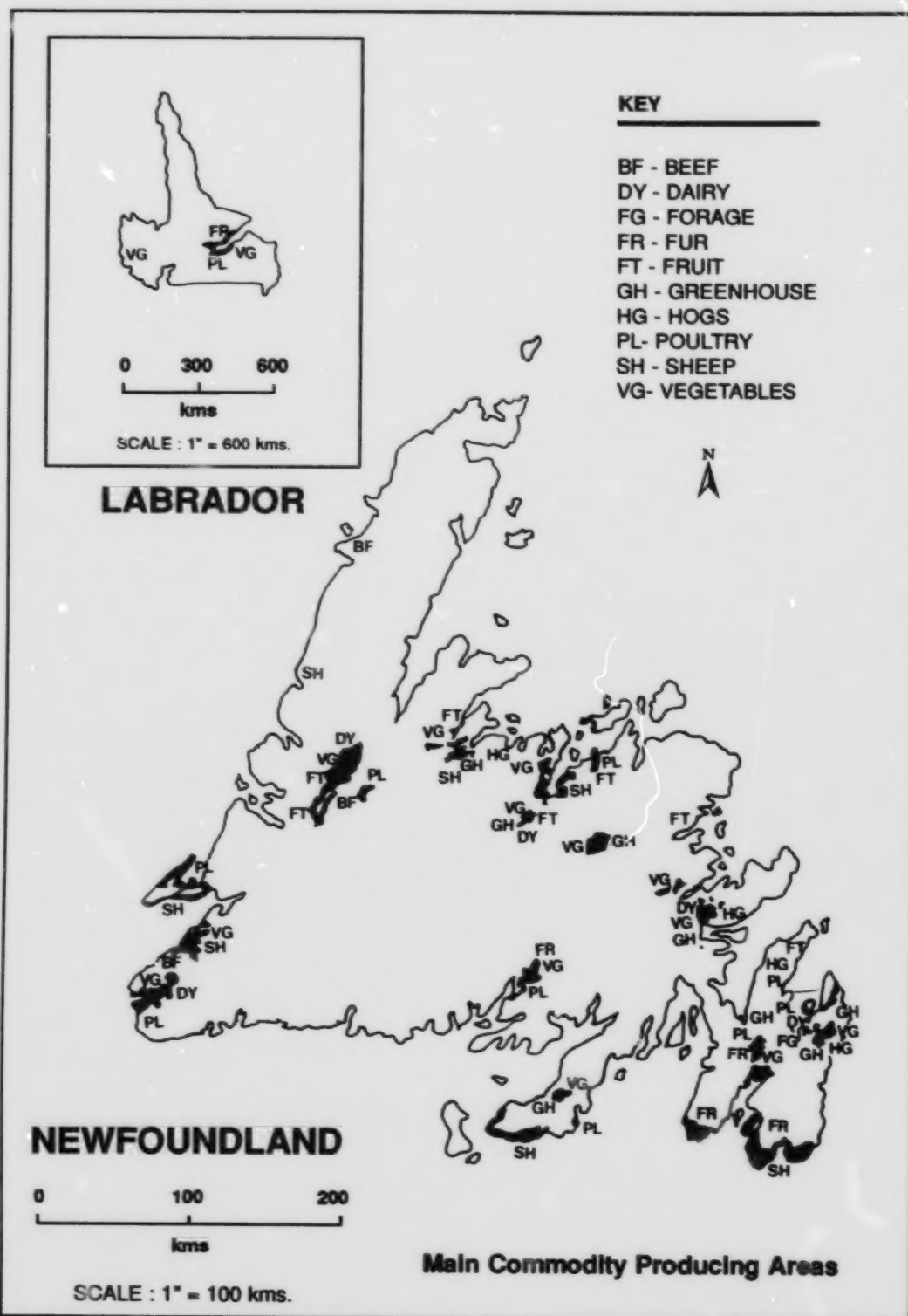
The Task Force has not been able to study every agrifoods issue, and it has not been possible to present all of its views. However, the Report represents one of the most comprehensive investigations of the sector ever undertaken in this province.

Although the scope of this Report is extremely broad, reflecting the wide range of impacts of the agrifoods sector on the economy and society of Newfoundland and Labrador, several issues are addressed in detail. Some, such as food health and nutrition, have not usually been closely associated with agriculture, nor even with the more extensive agrifoods sector in this province. The inclusion of these kinds of issues is in itself a recommendation to government that agriculture be viewed as more than a primary economic activity.

The Report is organized in three parts. The first is Chapters 1 to 3 and it establishes the context within which the Task Force's study, and this Report, is set. This section describes the agrifoods sector, outlines some of the problems it faces, and sets out the basic principles upon which agricultural policy should be based. The second part, Chapters 4 to 6, deals with the livestock industries, particularly those which the Task Force was asked to treat as priority issues: hogs, poultry, and dairy. The third section, takes in Chapters 7 to 12 and focuses on the principal themes which should underlie the future development of the agrifoods sector: resource and financial management, nutrition, marketing, diversification, education, research and leadership.

Those who wish more background information, or who want to weigh the validity of any point made in this Report, are directed to the papers and reports which contain the results of the Task Force's research and investigative work, the public briefs and other documents which form the foundation of much of this Report. These papers and more than 70 audio tapes of the public hearings — many of which contain significant and valuable contributions to the subject of agriculture in this province — are on file at the Agriculture Branch of the Department of Forestry and Agriculture.

Estimates of the cost of implementing the recommendations contained in this Report will be submitted to government in a separate document.



Chapter 1:

Introduction

In 1986 the Royal Commission on Employment and Unemployment¹ referred to the agrifoods sector in this province as underdeveloped. A lack of basic infrastructure, no consistent land-use policy, the high cost of imported feed, a marketing system that encouraged imported commodities, and the virtual absence of linkages between the primary and secondary components in the production of food commodities were listed as a few of the constraints to agricultural development. The Royal Commission concluded that the absence of a comprehensive agrifoods policy for the province compounded these problems because government's agricultural legislation had no overall purpose, programming was ineffective and too few funds were allocated to the sector. It therefore recommended that a task force be created by government to prepare an agrifoods policy for the province and, thereafter, to determine a strategy for meeting policy objectives. It was envisaged that through a task force, government would outline a fully-integrated policy highlighting the nutritional and health benefits of fresh local foods, the economic and social advantages of increased self-reliance and the need for price competition in the marketplace. This recommendation was later supported by the Senior Expenditure Review Committee (an internal committee set up to examine government expenditures) following its review of the provincial Agriculture Branch.

Three years later, in 1989, the Newfoundland and Labrador Federation of Agriculture released a policy document entitled *Agriculture 2000: A Vision for the Future of the Newfoundland Agriculture Industry*. The Federation concluded that the agriculture sector has the potential to play a greater role in the economic future of the province. All the ingredients necessary for a much-expanded farming industry were present and opportunities for the food processing sector were largely untapped. The Federation called on government to establish a task force to review the status of agriculture without delay, pointing out that the last comprehensive examination of the sector was performed by a Royal Commission on Agriculture in the mid-1950s.²

¹ *Building on Our Strengths*, Report of the Royal Commission on Employment and Unemployment, St. John's, 1986.

² *Report of the Newfoundland Royal Commission on Agriculture, 1955, 1956.*

On October 23, 1989, the Minister of Forestry and Agriculture announced the formation of a task force on agrifoods. The three members were chosen from outside of government in order to bring an independent perspective to government policy. Further, the decisions relating to the fulfillment of the mandate, office location, staffing and expenditures were made by the Task Force itself without intervention by government.

At the Task Force's first meeting in November 1989, it was decided that public hearings would be held across the province to gather the views of producers and others interested in agrifoods development. This consultation process was considered particularly important since the province's agriculture had not been studied comprehensively for 35 years.

In late 1989, the Newfoundland and Labrador Federation of Agriculture solicited the views of its membership by visiting the principal agricultural regions of the province. Early in 1990 the Task Force sent more than 300 letters of introduction explaining its mandate to producers' groups and associations, food processors and distributors, regional development agencies, federal, provincial and municipal governments and other groups. A public consultation strategy was also devised to provide direct input from industry and the public.

The Task Force held a series of public hearings in each of the principal agricultural producing areas of the province. These hearings were well publicized through the press, the industry and government officials working in the field. This was felt to be necessary so that contributions could be solicited from the widest range of individuals and groups and so that the hearings would be well attended. Starting in Happy Valley-Goose Bay in February, and working eastward across the island from the Codroy Valley to St. John's, by early May the Task Force had visited 21 communities and held 30 public sessions. In addition, less formal meetings took place in all the communities visited, and several dozen meetings were held in the Task Force office in St. John's over the course of the year. Where appropriate, the Task Force visited farms, processing plants, food-distribution centres and special projects to learn first-hand about the workings of the agrifoods industries and to hear of related problems and opportunities.

More than 100 written and oral briefs were presented at the formal public sessions and a further 20 briefs were submitted at other meetings. All but one of these presentations were public documents. More than 500 people attended the formal public sessions and the Task Force has met privately with approximately 600 others. Thus, well over 1,000 people representing about 200 groups, agencies, government departments and businesses have been consulted in some way during the last year.

The work of the Task Force, particularly the public consultation process, has commanded considerable public attention. Articles on the Task Force have been featured in local newspapers and on television and radio in almost all regions visited; many of these articles were also carried province-wide. This media coverage and the numerous public speeches presented to organizations and conferences on behalf of the Task Force have raised public consciousness about the role and potential of agriculture in the province. While this publicity has not eradicated agricultural stereotypes, it has been useful in promoting agrifoods activities in general and in raising public expectations about the future of the sector. More importantly, it has let the agrifoods industries know that they have not been forgotten by the public or by government.

Because the principles which have guided the work of the Task Force are drawn from existing or proposed public policy, from Newfoundland and Labrador's regional, national and international experience in agrifoods development and from the views presented by those associated with the industry, the Task Force has relied heavily on research and investigation as a method for obtaining information and for determining the key elements of the proposed policy and strategy.

Terminology

Although the term *agrifoods* is a recent addition to the English language, this designation was chosen for the present Task Force in order to suggest a larger area of interest than is usually implied by *agriculture*. The Task Force was directed to look beyond primary agricultural endeavours to those downstream industries of processing, marketing, distributing and selling the products harvested on farms. Government recognized, as did the 1986 Royal Commission on Employment and Unemployment, that the agricultural sector has been too rigidly defined in terms of producing food by working the land or raising domesticated animals.

Over the years, public policy has been focused on the resource-based components of agrifoods production, with minimal attention to the secondary and tertiary food industries. Thus, agricultural policy and related strategies for development usually end "at the farm gate", or extend only to the direct marketing and processing of those products harvested on farms. The food-processing and food-distribution industries have been incorporated in the more general category of industrial development and, more often than not, they have been ignored in government policy or strategies for development. More importantly, the agricultural industries, too, tend to view themselves as separate from the food processing and distribution system and, similarly, food processors and distributors often think local farmers have little to offer their industries.

While the term *agrifoods* is intended to reflect the broader scope of the Task Force's mandate, it is still not an ideal one because *agriculture* and this Task Force are not restricted to foods items. The term also includes a range of commodities produced on farms which are not edible, such as furs, wool, animal skins and the entire panoply of floricultural products. Until a more comprehensive term is coined, the Task Force uses *agrifoods* to include both food and non-food agricultural commodities. Thus, in this report, the agrifoods sector encompasses all activities involved in the production of food and beverages (excluding fish products), together with certain inedible commodities associated with agriculture.

The Scope of Agrifoods

At the primary industry level, agriculture is the rearing of animals and the production of crops for food. The principal industries involve hogs, cattle, sheep, poultry, vegetables, fruits and field crops. Included also are certain other items, such as the entire range of non-forestry

products grown outdoors and in greenhouses (such as flowers, bedding plants and shrubs³), fur, hay and silage, peat products used for gardening (soil and moss), potting soil, turf sods and animal and plant wastes used for industrial purposes.

These activities are performed primarily on farms throughout the province, but they also take place at institutions such as correctional facilities, on community and common lands or in specialized environments such as greenhouses and hydroponic facilities. Usually, they entail a measure of husbandry: animals are domesticated and reared, and crops are grown and harvested under controlled conditions. However, agriculture also encompasses food production activities involving crops and animals which are found in the wild, such as blueberries, partridgeberries and bakeapples, or rabbits, caribou and moose.⁴

The secondary level of the agrifoods sector comprises the food- and beverage-processing industries and a limited number of activities which use agricultural products to manufacture non-food items. Agrifoods processing involves transforming primary agricultural products into manufactured foods: meats, dairy and egg products, vegetable-based foods, preserved fruits, jams and jellies, juices, relishes and sauces, bread, cakes and confectionary and a host of miscellaneous food items which may even use synthetic ingredients rather than agricultural ones. Also included at this level is the preparation of fresh products for direct sale to consumers or for resale to other parts of the agrifoods sector. This kind of preparation involves semi-processing, which includes washing and bagging fresh fruit and vegetables, grading and packing eggs, and slaughtering animals and poultry.

The food-processing industry in Newfoundland and Labrador is concentrated in major urban centres, particularly St. John's. Many enterprises, ranging from large factories to home-based businesses, transform raw materials into consumer-ready foods in such forms as fresh, frozen, pickled, smoked, canned, bottled, dry-packed or vacuum-packed. The secondary agrifoods industries in rural districts usually operate on a smaller scale to process into consumer foods agricultural products originating from nearby farms: preserved fruit products, vegetable pickles and processed meats, such as sausages, puddings and patties. Such production may be located on some of the larger farms in the province; they may be run as community-based operations, by co-operatives or as cottage industries.

Agrifoods manufacturing activities which do not produce food are few in this province. There is some drying and processing of peat in certain areas, but the emphasis is on peat fuel products: very little locally produced peat moss or potting soil is offered for sale in Newfoundland and Labrador, and less than half of the animal wastes from the province's livestock and poultry industries is used locally. Most of what is used is processed at a rendering

³ The production of flowers and flowering plants is *floriculture*, but this Report uses the term *agriflora* to refer to the larger category of non-edible agricultural products of which floriculture is a part.

⁴ With respect to wild birds and animals, the line between agriculture and wildlife activities often may be hard to draw. The management and control of the harvesting of wild game birds and animals are considered to be wildlife management functions falling within the jurisdiction of the Wildlife Division of the Department of Environment and Lands, whereas the preparation of meat from those animals and birds for human consumption is defined as an agrifoods activity.

plant in Foxtrap. Virtually no animal manure is dried or composted for use as commercial fertilizer. Except for some processing activities associated with the fur industry, animal skins, hides and fleeces are normally discarded or shipped outside the province for treatment. The preparation of animal feeds, either at the large feed mill near St. John's or in smaller mills on individual farms, is an important activity which can be classed as agrifoods manufacturing. However, this is primarily an input industry to the agrifoods sector rather than an output from it.

The tertiary agrifoods industries, commonly known as food services, are extensive and complex. Several kinds of activities fall into this category: food distribution, food retailing, the commercial food service trades and institutional food services. The food-distribution industries involve transporting or trans-shipping agricultural and food products from farms, processing plants and ports of entry to points of sale. Transportation firms, brokers, warehousers and wholesalers make up this category. In most cases, companies involved in food distribution act as agents between the seller and the purchaser, though warehousers and wholesalers, in particular, often transform the foods they receive into processed products, or they package and re-package foods to meet the needs of the purchaser. The food-distribution industry is heavily concentrated in the urban centres across the province.

Food-retailing industries involve the sale of agricultural and food products to consumers through chain supermarkets, independent groceries and convenience stores, as well as through specialized markets and direct sales outlets. Retail stores attached to gas stations along highways and in urban areas are becoming more common as outlets for food products.

There are also strong links between the agrifoods retail and wholesale industries: several wholesale operations are subsidiary companies of the major retail chains. As in the food-distribution industries, retailers often package, re-package and process food items before presenting them to consumers. Many urban convenience stores now have sandwich, salad and deli bars. Food retailing takes place in almost every community in the province.

The commercial food trade includes all activities whereby agrifood products are prepared and presented as meals. These kinds of food services are for local clientele and they can be found in most communities. Restaurants, fast-food outlets, caterers, corporate cafeterias at major businesses or development sites, mobile canteens in urban areas, and sections of the accommodations industry providing food services make up this category. Considerable value is usually added to the food products during the preparation and cooking process. Commercial food services are available in most communities and along transportation routes throughout the province. Institutional food-service activities also involve the preparation and cooking of food for patrons, but these are carried on in confined situations such as hospitals, nursing homes, correctional institutions, schools and colleges.

The retailing of agricultural products which are not edible can also be classed as tertiary agrifoods activities. Stores selling flowers, plants and other products for landscaping or home gardening, along with those selling agricultural inputs (seed, fertilizer, chemicals) are the two largest parts of this category. Florist shops and home gardening or agricultural supply companies can be found in most of the larger communities across the province and in some of the smaller

ones. The following organizational plans show the structure of the agrifoods sector in this province; Figure 1.1 illustrates the linkages among the components of agrifoods from the farm to the consumer, while Figure 1.2 shows linkages among commodities produced in the province.

Indigenous and Non-indigenous Agrifoods

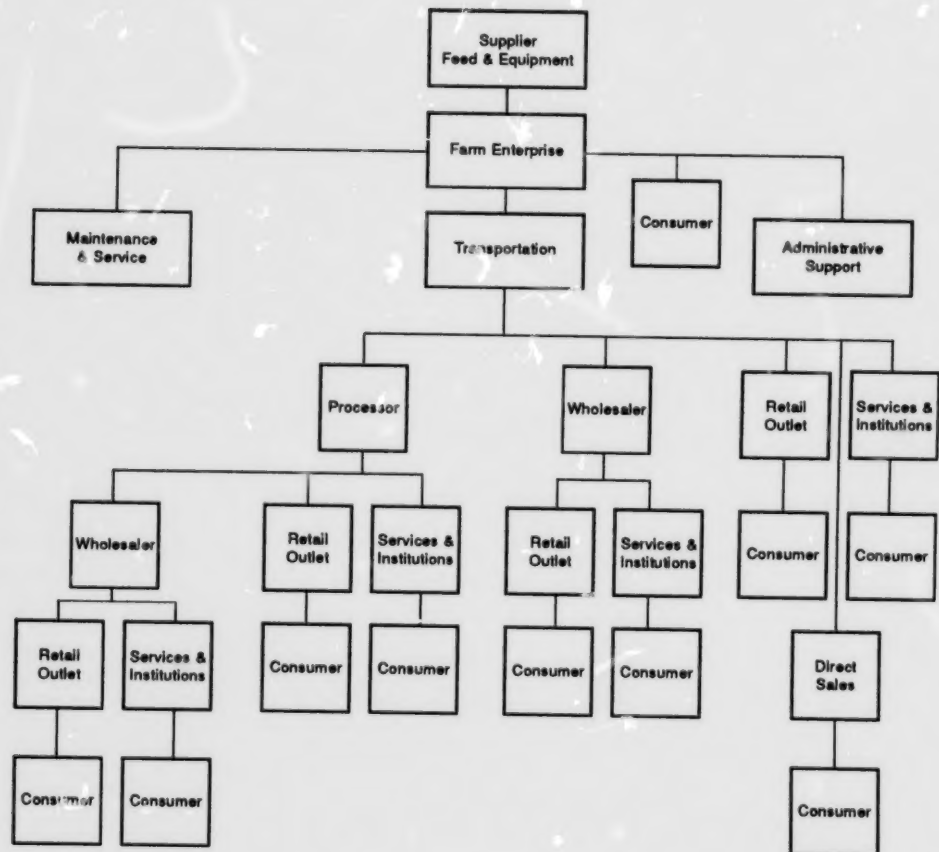
The province's agrifoods sector can be further categorized according to the origin and handling of the agricultural products. First, there are those industries which bring food products into the province to distribute and sell without any form of re-packaging or processing taking place before sale. These products enter the local agrifoods system usually at the wholesale level and consumers buy them in the form in which they were imported. Most canned and packaged foods found on supermarket shelves are in this category.

In the second category are imported foods subsequently re-packaged or processed by local companies. These products usually enter the local agrifoods system at the processor or wholesale levels, and the re-packaged or transformed products are sold to retailers and the food-service trades. These might include imported beef carcasses which local firms trim, marinate, package in tubs and sell as salt meat; juices made locally from imported fruit concentrates; beer made at local breweries and spirits bottled by the Newfoundland Liquor Corporation; or prepared coleslaws, potato salads, pickles and relishes made locally using imported vegetables. Because further processing activities are performed by local firms, value-added revenues and employment are generated locally, even though the raw materials originate outside of the province.

The third category involves the production and distribution of locally grown food products which are sold as fresh foods, and the fourth represents local products which are processed before they are sold. Foods in these last two groups (fresh produce, milk, processed meats) may pass through the entire local agrifoods system from the primary to the retail levels.

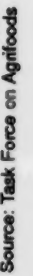
Although the principal focus of this report is on the two latter categories, the total food industry in this province is a major contributor to the provincial economy and a major source of employment. It will also continue to expand regardless of whether or not locally grown products are available. For many foods which are processed locally but use imported raw materials, the value of those raw materials may constitute only a small proportion of the total value of the items. Furthermore, these categories indicate local product demand and suggest which foods now imported for processing might be produced locally in the future. Government's agrifoods policy and strategy, therefore, should not ignore those food industries which do not utilize local agricultural commodities just because the raw materials originate elsewhere.

Figure 1.1
The Agrifoods Sector
Industry Linkages



Source: Task Force on Agrifoods

Figure 1.2



Existing Policy Framework

Agricultural public policy in Newfoundland and Labrador, to the extent that it has been articulated at all, has tended to focus on three principles:

- that agriculture in Newfoundland and Labrador is underdeveloped or undeveloped;
- that the main objective for agriculture in Newfoundland and Labrador is self-sufficiency; and
- that agriculture fits well within the socio-economic milieu of rural Newfoundland and Labrador and offers appropriate economic opportunities for diversification.

These principles are certainly valid, but they do not provide an adequate policy framework for agricultural development in the future. There is no question that agriculture in Newfoundland and Labrador is still developing, particularly in establishing an appropriate land base and other basic infrastructure. Agricultural programming should still be oriented in part towards providing necessary basic infrastructure (it is estimated that about \$1 billion over the next ten years will be needed to upgrade agricultural infrastructure to national standards⁵). However, agriculture in Newfoundland and Labrador will always be developing. Therefore, to propose that governments should pay particular attention to agriculture by allocating additional funds merely because the sector is underdeveloped is not a strong argument and should not be a key element in a provincial agrifoods policy. It has not been a very successful strategy in the past and, in all likelihood, it will not work in the future.

The second element — self-sufficiency — is a legitimate policy and strategy objective. A planned program of import substitution in those commodity areas where local products can be produced efficiently and competitively makes economic sense. However, a self-sufficiency policy can be restrictive. It risks missing valuable opportunities for export⁶ and it is export production, not domestic production, which governments tend to promote as revenue-earning, growth industries. Self-sufficiency, then, should be an objective in developing the agrifoods sector, but it should not hinder export opportunities which could provide substantial benefits to the economy.

The Task Force agrees that the environmental sustainability of agriculture, agriculture's potential contribution to the pluralistic nature of employment in rural Newfoundland and Labrador, and the opportunities for economic diversification it offers, can all contribute to regional economic development. In fact, this third principle has not been stressed as forcefully as it might have been, and this report identifies many areas where the importance of this principle should be emphasized in government policy.

It is believed that external suppliers can often provide the Newfoundland and Labrador market with commodities at a lower price than can local suppliers. Following from this comes

⁵ "Towards a Sector Plan for Newfoundland's Food Industries", draft report of the Newfoundland and Labrador Science and Technology Advisory Council by Canpolar East Inc., 1990.

⁶ In this Report *export* and *import* are used to identify goods going to and coming from other parts of Canada as well as to and from other nations. The context in which the terms are used will disclose their meaning.

the question, "Why, then, do we have an agriculture industry?" In certain commodity areas, this may be a valid question. The Task Force has no hesitation in agreeing that the current situation in one or two commodity areas is unacceptable, because of both prices to consumers and costs to government. With the lowest standard of living and the highest unemployment rate in the nation, Newfoundland and Labrador's agricultural *status quo* is unacceptable. Changes must be made to ensure that local industry is competitive and to focus attention on those areas where competitively priced commodities can be produced. At the same time, the benefits derived from supporting an agriculture industry must not be overlooked and a full understanding of what contributes to competitiveness in the marketplace must be gained.

Agriculture in this province takes place primarily in rural areas where unemployment is highest and where opportunities for employment are limited. Employment and business enterprises created in agriculture are, for the most part, long-term, environmentally sustainable and relatively inexpensive to create, compared to equivalent developments in non-indigenous or larger-scale industries. Agriculture also carries with it certain non-economic benefits, including complementarity with rural lifestyles and the provision of fresh, nutritious foods at reasonable prices, particularly in more isolated regions of the province. All these factors must be considered in an agrifoods policy and strategy for Newfoundland and Labrador.

Proposed Policy Framework

Amongst the first research undertaken by the Task Force was an examination of other relevant studies pertaining specifically to agriculture in Newfoundland and Labrador. The 1955 Report of the Royal Commission on Agriculture, which indicated that agriculture had been in decline since Confederation, outlined a series of measures to rejuvenate the sector, many of which were implemented by successive governments over the last thirty years. However, in 1980 government adopted the five-year resource-development strategy outlined in *Managing All Our Resources: A Development Plan for Newfoundland and Labrador, 1980-1985*.⁷ The cursory treatment of agriculture in that report made it clear that agricultural policy had not advanced very far beyond the principles established by the Royal Commission 25 years earlier.

This Task Force was given a mandate to inquire into the state of the agrifoods sector in Newfoundland and Labrador and to present recommendations for a long-term policy and a new provincial strategy. This mandate was to create a plan by which agricultural programming could be guided into the 1990s and beyond. The terms of reference (Appendix A) directed the Task Force on Agrifoods to examine and report on how to achieve and maintain a viable agrifoods sector in Newfoundland and Labrador, with due consideration for the overall economic and social development of the province.

The main elements to be addressed were the structure, importance and characteristics of the agrifoods sector (including the agrifoods processing industries), trends in agricultural production and marketing, the social context of agriculture, opportunities and constraints to developing the

⁷ Government of Newfoundland and Labrador, 1980.

sector, and the roles of government, public policy and regulation. The dairy, hog and poultry industries were listed as priority areas for study in its Terms of Reference, and the Task Force later was specifically directed to provide detailed recommendations on the pricing of fluid milk.

A Blueprint for Development The Task Force on Agrifoods was directed to inquire into the current conditions and future direction of agriculture and related industries, and to recommend policy and a long-term strategy for the sector. To accomplish this, the Task Force has constantly borne in mind the Minister of Forestry and Agriculture's phrase, used in the original announcement of the project in October 1989, that it was preparing a "Blueprint for Development" within the agrifoods sector.

Developing such a blueprint – which incorporates both basic principles and the means for their implementation – has first required that the Task Force define in specific terms what the guiding principles must be. Particular issues included in the terms of reference indicated some of the central concerns that the Task Force was expected to address, and they also implied some of the principles which might underlie them. Such issues as competitiveness, productivity, opportunities and constraints were mentioned specifically.

Another factor influencing this blueprint has been government's overall framework for economic, regional and social development. Hence, agrifoods policy has had to be considered in light of government policy on employment generation, small-enterprise development, regional diversification and fiscal responsibility. Other characteristics of the agrifoods sector itself and the aspirations, needs and expectations of those working in agrifoods industries must also play a part in the preparation of a blueprint for agrifoods development.

A final factor which must become more significant in the future development of the industry concerns the needs of the ultimate clients of the agrifoods industry – the consumers. The consensus among groups and agencies involved with both agriculture and consumers' issues is that too little attention has been paid to the link between the production of food and nutrition. The recognition of the importance of nutrition and growing public concern with healthy diet should and will guide future developments in the agrifoods industry; therefore, the strong interrelationship among self-reliance, sustainable agriculture and nutritional well-being must be reflected in any blueprint for development. Agriculture policies should thus link with relevant programs sponsored by the Department of Health and the Department of Education to help advance government initiatives aimed at promoting healthier lifestyles and habits. This would, in turn, strengthen the rationale for encouraging the development and expansion of local food-producing industries.

Objectives To foster the development and maintenance of a viable agrifoods sector in Newfoundland and Labrador, the Task Force has identified eight general objectives for agriculture and related industrial development into the next century:

- to preserve the land, soil and water resources used for food production;
- to produce a local supply of nutritious food commodities at competitive prices;

- to promote the primary, secondary and tertiary components of the agrifoods sector in all regions of the province, and to generate employment, revenue and enterprise;
- to increase provincial self-sufficiency in farm inputs and in commodities which can be produced efficiently, thereby reducing imports and improving the province's balance of payments;
- to diversify the agrifoods sector by increasing secondary processing from primary products, capitalizing on export opportunities and developing new product lines;
- to ensure that producers derive sufficient returns for labour, risk, capital and management from their endeavours;
- to integrate all components of the agrifoods sector and improve food marketing systems; and
- to increase public awareness of the contribution agriculture and related industries make to the economic and social well-being of the province.

Viability Underlying both policy development and objectives is the matter of viability, a concern specifically raised in the Task Force's terms of reference and one which must be considered in any fiscally responsible, public policy framework. This issue, however, is one with which the Task Force has had considerable difficulty, particularly since the terms of reference do not provide a definition of *viability* and policy makers cannot agree on what it means. A *viable* business or industry is one which can generate sufficient money to cover costs and provide additional revenues for expansion, diversification or profit. The trouble is that the use of *viability* in this manner would render almost all resource-based businesses and industries in this province non-viable: the fishery, offshore oil and gas, the forest-products industries, tourism and mining operations all receive varying degrees of external support. Typically, many of these and other businesses take advantage of such government programs as transportation assistance, employment assistance, tax rebates and low-interest credit. Should such businesses thus be considered not viable?

Direct subsidies are often justified when the public interest is served by maintaining or subsidizing an industry or service which, on its own, would not be financially viable. In Newfoundland and Labrador there are many examples of these kinds of subsidies, ranging from maintenance of an essential service to developing an industry which is judged to have potential for viability at some future time.

The Task Force does not intend to interpret what government implies by its use of the term *viability*; otherwise much of this report would be focused on a discussion of economic concepts rather than on where and how the agrifoods sector might be promoted for the overall benefit of society. It is assumed that a viable agrifoods business enterprise or industry is one that can operate with no, or minimal, public funds and provide certain benefits which are deemed valuable to society.

The challenge facing policy makers is how to strike an appropriate balance between funding the legitimate and promising agricultural development opportunities which currently exist and the

perennial problem of allocating scarce resources among competing priorities. In some areas of agricultural programming, government's strategy in the past has been simply damage control: political expediency has prevented decisive plans from being implemented, and this has been ultimately detrimental to the agrifoods sector. Agriculture now finds itself in a position where it has few allies at a time when government has indicated that a renewed fiscal responsibility will require budgets to be cut and continuing subsidies to be eliminated. The damage-control approach must end; entrenched problems have to be resolved realistically and these solutions must be cognizant of all the implications of the decisions made.

To deal with the problem of viability, new approaches to the sector's development will be required, and these must be consistent with government's overall public policy framework and in line with the agrifoods objectives outlined above. These approaches are described below.

1. *Agricultural enterprises in Newfoundland and Labrador should be viewed and treated as small business operations within the context of the larger agrifoods sector.* As previously noted, the Task Force believes that agriculture — on-farm activity — should be viewed as an integral part of the larger agrifoods industry in the province. Farm enterprises are more than mere "growers of food". Some of the larger farm enterprises are multi-commodity operations with gross sales exceeding those of many urban-based businesses. Most farmers are independent business people operating enterprises in a manner similar to that of owners and managers of hotels, machine shops or retail stores. Agricultural enterprises should be viewed as commercial operations producing a vital consumer product in a competitive market environment. Therefore, within a new agrifoods policy, agricultural enterprises must be treated more as business operations and less as sideline activities.

2. *The Government of Newfoundland and Labrador should promote a greater market orientation for agriculture through a planned program of reductions in government subsidies to industry, consistent with national and international trends towards reform of agricultural policy.* As this report will show, a number of agrifoods industries in the Newfoundland and Labrador agriculture sector are viable in the sense that they now receive minimal government support. Others, such as the hog and broiler industries, may be considered economically non-viable in their current form, given the large production subsidies and the operating deficit of the Newfoundland Farm Products Corporation (NFPC). While the Task Force offers specific recommendations concerning these industries, it is proposed that government adopt as a long-term objective that the marketplace become more important in influencing agricultural production. This should be accomplished through a progressive and concerted reduction in commodity price support and a renewed emphasis on marketing and promotion.

This is not a proposal for the elimination of all agricultural support programs, but a call for the rationalization of those commodity industries which now rely heavily on government subsidies by taking a more businesslike approach to agricultural development. It is unreasonable to expect that this can be accomplished in the short term, given the current environment. Until this is achieved, government should be prepared to provide support programs and funds for agriculture in the same manner that such assistance is made available to other industrial sectors. However, such support should focus principally on industry development, market promotion, research,

education and training, and on commodities which will not require continued subsidies, either at the primary or secondary level.

3. *Government support programs for agrifoods should be structured in a manner which will promote those commodity sectors which are assessed as being competitive with, or able to achieve a competitive position with, comparable sectors in other provinces which export agricultural commodities to Newfoundland and Labrador.* This is a long-term objective which would help to ensure that Newfoundland and Labrador commodities would be competitive with imported agricultural products. In the short term, however, the objective of food security, the continuing need to develop many aspects of basic industry infrastructure, and the fact that subsidy levels for agriculture in many other provinces are higher than in this province, suggest that a direct comparison of production costs in Newfoundland and Labrador with those in other provinces is not a realistic measure of competitiveness. Accordingly, as a short-term objective, the Task Force proposes that the competitiveness of local industry be measured by its ability to compete with the landed cost of imported agrifood's commodities — that is, the cost of production plus transportation to the province. However, while local industry should compete with products from the rest of Canada, it is unrealistic to expect that the many constraints facing the industry can be overcome in the short term. As a longer-term objective, and in an effort to focus both government and industry programs on efficient and effective agricultural operations, competitiveness must be defined as achieving cost-of-production parity and retail-price parity with imported products.

An important implication of this approach is that government must be prepared, after an objective assessment, to withdraw support from those commodity sectors which are unable to achieve a competitive position in the marketplace. Those which are not competitive will drain government's resources and return little, if any, real benefit to farmers or to the provincial economy. Nevertheless, this should not preclude the provision of government support to agrifood enterprises which are able to access niche markets, or otherwise persuade markets to accept higher prices for local products. The Task Force has heard arguments to the effect that local products *should* be priced higher than imports, precisely because they are local and therefore fresher and tastier. This argument is persuasive only if markets will bear these higher prices. Certainly the Task Force is aware that for many commodities, price alone does not dictate consumer behaviour, and the competitiveness of local industry should not be defined so rigidly as to preclude the provision of government support to any local commodity which can be sold at a price exceeding that of the imported product.

4. *Because the agrifoods sector is a significant and important resource, public management is required.* Agriculture and all of the food industries make up a sector which is qualitatively and fundamentally different from other resource sectors of the economy. Food is a necessity of life, and supply and quality considerations are too important to be left entirely to the vagaries of a totally free market approach. Newfoundland and Labrador's geographic location and transportation difficulties require that governments concern themselves with the issue of food security. What would happen, for instance, if local industry could no longer provide a measure of competition to imports? This might leave consumers at the mercy of supply, price and quality

decisions made by faceless organizations far removed from the influence of either individuals or government in Newfoundland and Labrador.

Government, then, should continue to support an agriculture industry in the province, but not at any price. If certain agricultural products from Nova Scotia, Ontario, or even British Columbia can be sold in Newfoundland and Labrador at a lower price than local products of comparable quality, both consumers and the imperative of fiscal responsibility demand solid justification for the continued expenditure of public funds to support the local products.

The Task Force's vision of agriculture for the future, therefore, is one of a viable and competitive industry forming a vital part of the larger agrifoods sector. This approach to agriculture emphasises its place within the framework of a provincial food and nutrition policy, regional economic diversification, development of employment opportunities in order to maximize economic benefits to the provincial economy, and improvement of the overall standard of living and quality of life in the province. These objectives must be realized if agriculture is to assume its place as an important resource sector in Newfoundland and Labrador.

Chapter 2:

Agrifoods in Newfoundland and Labrador

Agriculture in this province has developed over the centuries under the most extreme conditions: an inhospitable climate, limited land base, poor soils, a small, but geographically dispersed local market area, poorly developed transportation infrastructure, heavy reliance on imported animal feeds and supplies, stiff competition from mainland food distributors and several other impediments.

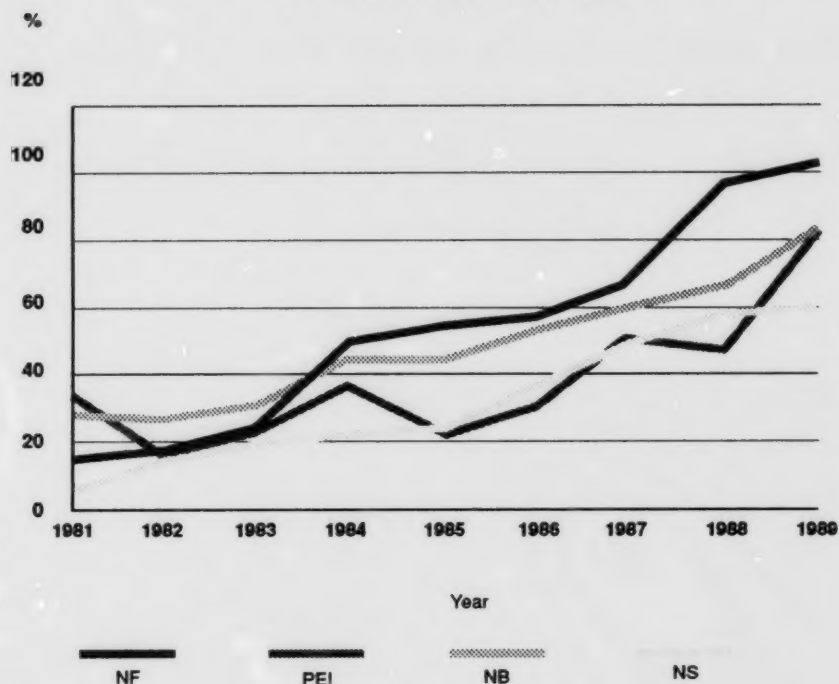
Compared to their counterparts in other parts of Canada, local farmers have always had an uphill battle earning their living. Yet, agriculture in this province has not only survived, but has grown considerably over the last two decades. The value of agricultural production has more than quadrupled since 1970 and doubled since 1980 (see Figure 2.1) — rates of growth exceeding those in neighbouring Maritime Provinces and which are considerably higher than the national average. Newfoundland and Labrador's agriculture sector has evolved from a largely subsistence-based activity, producing food for local consumption, to become a commercial producer of food commodities using up-to-date scientific, technological and professional methods of farming and business management. The main industries are professionally run, sophisticated, commercial enterprises, fully integrated into the Canadian agrifoods system. Their success is judged very much along the same lines as agricultural enterprises elsewhere in the country. Newfoundland broiler, egg, hog and fur farms are examples of modern confinement operations and local producers engaged in these industries are as experienced, skilled and knowledgeable as any farmers in the country.

Historical Development

Agriculture in Newfoundland and Labrador began with the earliest settlement of the colony and became established as part of a natural cycle of economic activities — what is called the seasonal round. For many isolated communities, this consisted of fishing, hunting and trapping, firewood collection (or logging) and subsistence agricultural production. Each of these economic activities took place at specific times of the year and they were generally compatible with one another in labour used and commodities produced.⁸ Tending a small plot of land to grow basic

⁸ For a detailed description of the importance of food production in rural Newfoundland, see Aubrey M. Tizzard, *On Sloping Ground: Reminiscences of Outport Life in Notre Dame Bay, Newfoundland*, 1984.

Figure 2.1
Farm Cash Receipts from Sale of Farm Products
Atlantic Provinces 1981-1989
Percent Increase Over 1980



Source: Statistics Canada, 21-001, 1990

root crops and raising livestock allowed inhabitants to produce much of their fresh food requirements in a way that complemented other resource pursuits. Land clearing, planting and harvesting could be undertaken at times when people were not tending their fishing nets, for example, so that agricultural production became an important adjunct to the fishery. Caplin and kelp from the sea, composts and livestock manure could be used as soil amendments, thereby helping to provide a cheap, nutritious diet with a minimum cash outlay.

As an alternative source of income, agriculture was at first looked upon as a way to supplement and stabilize the erratic income from the fishery. It was not long before it was also accepted as an alternative means of employment. There was commercial production of food in the St. John's area from the early 1880s; on the West Coast, commercial production dates as far back as the early 1700s. However, self-reliance in rural areas began to diminish with the onset

of the Second World War, which brought new employment opportunities offering higher rates of pay than did resource activities. The creation of the American armed forces bases, in particular, attracted rural labourers away from the province's farms.

The flood of external influences unleashed by Confederation pushed the decline further. The introduction of modern concepts of occupational trades, increased urbanization, improved transportation and, in particular, the removal of tariffs, all led to the decline of commercial agricultural production. Similarly, the increased use of cash as a medium of exchange, largely brought about by Canadian social security programs, coupled with the gradual penetration into Newfoundland and Labrador of the mainland commercial food industries, lessened the need for the population to engage in subsistence food production. The absence of a co-ordinated agricultural policy accelerated this process. For almost two decades following Confederation, agriculture remained in the doldrums: overall production declined significantly and farming skills and labour gradually disappeared, while governments promoted large-scale economic activities aimed at turning the province into a modern, industrial state.

Commercial agricultural production began a process of revival in the late 1960s and 1970s, led by the hog, broiler and egg industries utilizing modern confinement rearing technologies. Unlike previous agricultural methods practised in Newfoundland and Labrador, confinement systems are usually capital-intensive and do not require a large land base. Another facet of modern Canadian agriculture, supply management, later became a key factor in allowing chicken, egg and milk production to expand and, in the case of the dairy and egg industries, to attain provincial self-sufficiency. Other industries, such as fruit and vegetables, cattle and sheep continued to be seen as subsistence activities in the aftermath of Confederation. Despite commodity production in several livestock industries becoming highly organized and regulated, no comprehensive agricultural policy was developed to guide the sector out of the lull of the period between 1950 and 1970 and into the future, despite the *Report of the Newfoundland Royal Commission on Agriculture of 1955*.

The nature of the agrifoods sector has changed drastically since Confederation, particularly in the past two decades. Not only have commercial agricultural methods changed, but the kinds of commodities produced commercially are different from those of pre-Confederation days. Table 2.1 shows some of the changes in the patterns of agricultural production during the past century. However, caution has to be exercised in comparing production data over the span of several time periods because data collection methods and standards do change. No one can be sure, for example, which operations may have been surveyed before Confederation or to what extent subsistence agricultural production was included in the surveys. Furthermore, for any one census year, the agricultural statistics may not represent average production between censuses, owing to normal year-to-year variability: a census year may or may not be a typical year.

It can be seen that certain commodities have disappeared entirely from the province's farms, or the levels of production are so small that they are insignificant. Butter and grains, for example, once formed an important part of agricultural production, but such activity has declined over the years. The Census of 1921 records butter production at 572,000 pounds; by 1951 this had declined to 111,000 pounds, and by 1981 production disappeared from the record. In the same

Table 2.1
Selected Agricultural Statistics
Newfoundland and Labrador
1891, 1921, 1951, 1981, 1986

	1891	1921	1951	1981	1986
Imp. Farm Acreage	n/a	89,000	28,982	16,300	26,541
Production					
Oats (1)	12,900	9,104	3,532	300	n/a
Hay (2)	36,032	49,250	18,067	10,000	18,000
Potato (3)	n/a	95,220	23,198	9,443	9,520
Turnip (3)	n/a	12,240	8,254	10,391	6,800
Cabbage (3)	n/a	7,668	4,239	5,273	5,114
Small Fruit (4)	n/a	27,940	14,850(6)	13,750(6)	87,500(6)
Livestock					
Slaughtering					
Cattle	12,959	7,876	2,200	2,000	3,600
Sheep	60,840	29,366	5,833	3,900	2,900
Swine	32,011	8,932	1,542	34,500	29,900
Production					
Milk (3)	n/a	65,592	19,385	21,000	38,700
Butter (3)	401	572	111	0	0
Eggs (5)	n/a	1,092	487	7,440	8,320
Chicken (3)	n/a	n/a	n/a	8,895	13,997

(1) Bushels

(2) Tonnes

(3) Thousands of Pounds

(4) Gallons

(5) Thousands of Dozens

(6) Estimates based on blueberries and strawberries only

n/a — not available

Source: *Production and Trade of the Dominion of Newfoundland, 1930*; Statistics Canada Census of Agriculture, 1951-1986; Department of Forestry and Agriculture, 1990.

vein, the Census of 1891 placed the production of oats at 12,900 bushels, but by 1981, only 300 bushels of oats were being produced. The decline in the production of oats is, of course, linked directly to the disappearance of draft horses with the change to mechanized equipment in primary industries.

The trend away from the traditional crop and livestock industries can also be detected. Potato production in 1986 was only 10% of what it was 65 years before; turnip production was about 50% of what it was in 1921 and only about 65% of what it was in 1981; between 1921 and

1981 cabbage production declined by 30% and small-fruit production by more than 50%. Since 1981, however, small-fruit production has increased more than any other product.

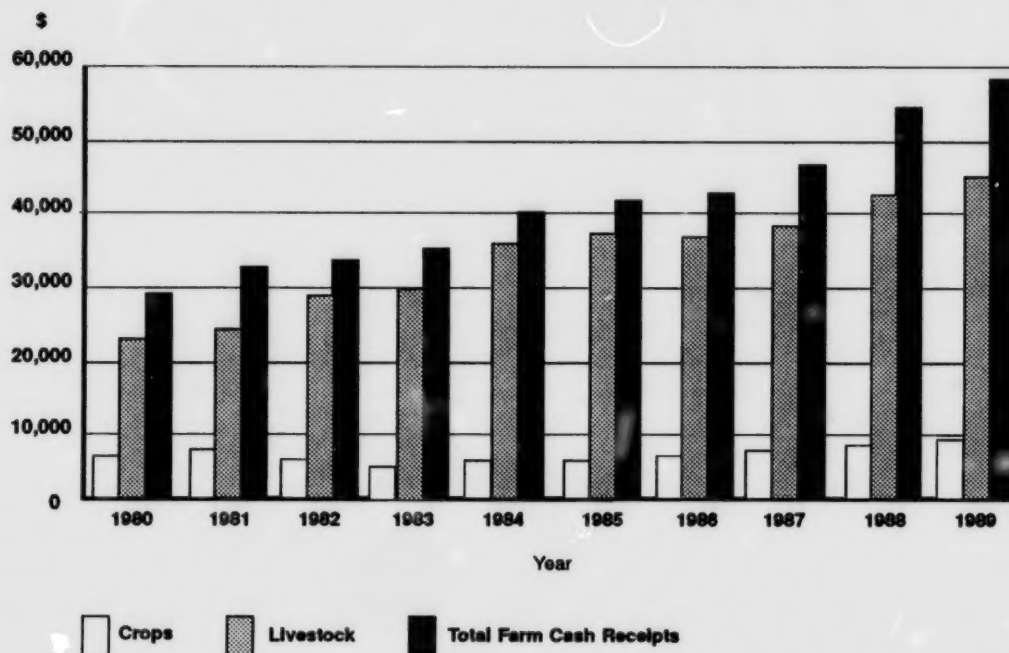
Sheep slaughterings declined from 60,840 in 1891 to 5,833 in 1951 and 2,900 in 1986 – a level of production equalling less than 5% of that recorded 95 years earlier. Cattle slaughterings have declined by about 75% since 1891. Milk production decreased by 40% between 1921 and 1986.

The data indicate that overall production in many crop and livestock industries is less than what it was even 40 years ago. Yet, there have been significant increases in annual farm cash receipts over the last two decades. This is due to several factors: the growth of the confinement livestock industries, production from industries which were not previously considered to be agriculture (fur and greenhouses) and from industries in which production declined after Confederation, but then increased over the last twenty years.

The data in Table 2.1 show that there was no recorded broiler-chicken industry in Newfoundland before Confederation and the limited number of eggs produced came from free-range operations. While the number of hogs produced in 1891 is about the same as for 1981 and 1986, swine herds were not as rigidly controlled as they are nowadays and their products were not so commercially valuable. Hog production levels declined dramatically in the immediate post-Confederation period, but rose again sharply in the thirty years from 1951 to 1981, largely because of the introduction of confinement rearing methods. Similarly, dairy production has evolved from a series of small-scale production units (using both cows and goats) serving very localized markets, into a modern, complex industry characterized by a relatively small number of producers. After Confederation, milk production declined by about 60%; since 1983, when supply management was introduced, production has more than doubled, although total production has still not reached pre-Confederation levels. Fur and greenhouse production were not recorded in the historical agricultural statistics, yet they produce \$1 million and \$3.5 million respectively in farm cash receipts. The fur industry is oriented exclusively towards a specialized export market which requires considerable expertise in both production and marketing; the greenhouse industry represents an almost complete integration of the growing, wholesaling and retailing (florist and nursery) functions of the agricultural production process.

The post-Confederation period has seen a radical transformation of the agricultural industries of this province. In particular, capital-intensive, large-scale confinement operations, commodity regulation and supply management through marketing boards now dominate the sector. Together, the chicken, egg, hog and dairy industries account for about 80% of annual farm cash receipts. There has also been a trend towards the diversification of crops, with a concentration on cash crops and specialty vegetables. It is in these areas that the sector has made some of its most remarkable forward strides. For example, between 1977 and 1989, the commercial production of strawberries in Newfoundland rose from 18,000 quarts annually to almost 500,000 quarts, with an estimated farm-gate value of \$1 million.

Figure 2.2
Crops, Livestock and Total Farm Cash Receipts
Newfoundland and Labrador 1980 - 1989



Source: Statistics Canada, 21-001, 1990

Current Levels of Production

Limitations of the existing agricultural database make it difficult to report overall levels of production accurately.⁹ Nevertheless, it is necessary to provide a profile of the agriculture sector and a short overview of the levels of production in key agricultural industries, although in many cases, statistics used may be extremely conservative and under-estimate the importance of agricultural production in any one industry. Figure 2.2 summarizes the farm cash receipts from the sale of farm products by commodity group for the last ten years.¹⁰ Total farm cash receipts

⁹ These data problems are explained in the following chapter.

¹⁰ For a fuller set of data by industry, see Appendix E, Table 1.

for 1989 were valued at nearly \$58 million, of which \$46 million was derived from the livestock industries, \$9 million from crops and \$ 2.5 million from safety-net program payments.

Egg Production In 1989, 31 egg producers operating under the auspices of the Newfoundland Egg Marketing Board produced a total of 8.4 million dozen eggs with an estimated value of \$11 million. This is more than double the value of approximately the same number of eggs produced in the early 1970s. In addition to this regulated production, there is a small group of egg producers who operate outside of the quota system to supply fresh eggs for local markets. They can legally raise up to 499 laying hens without requiring a quota allocation from the Board. It is estimated that there are 20 of these enterprises operating commercially throughout the province. There are also several enterprises with more than 499 laying hens which do not hold any of the quota and are therefore producing eggs illegally.

Broiler and Poultry Production The 20 broiler-chicken producers operating in the province in 1989 produced a total of 9.7 million kilograms of live weight. These producers are all located within a 120 kilometre radius of the two major processing facilities in St. John's and Corner Brook. Production is almost evenly divided between the Eastern (52%) and Western (48%) regions and it is concentrated in ten communities. The heaviest concentrations of production occur at Holyrood and Whitbourne on the Avalon Peninsula and at Howley in the Western Region. These three communities account for 57% of total broiler-chicken production.

Poultry operations other than broilers are sporadic and they are limited in the number of birds they can raise because of the lack of the formal inspection facilities needed to sell their product through the commercial trades. It is estimated that there are just under 10,000 turkeys produced each year on several small farms, primarily on the West Coast and on the Avalon Peninsula, and there is at least one farm on the Avalon Peninsula which raises pheasants. Geese and ducks are hunted as wild fowl, although some farms across the province may rear a limited number of these birds for meat or eggs.

Hog Production In 1989, the province's 14 major hog producers marketed a total of 22,654 hogs with an estimated value of \$3.5 million. In addition, about 3,000 hogs from smaller operations were slaughtered at the abattoir in St. John's and at private facilities. Hog production is carried out for the most part by four major producers: three on the Avalon Peninsula and one in Eastport. Between them, they account for more than 70% of total commercial production.

Dairy Production In 1989 there were 74 registered holders of milk quotas in Newfoundland and Labrador; the total production quota allocated was 31.4 million litres and there were 4,090 dairy cows in the province. For individual producers, annual production quotas range from less than 100,000 litres to more than 1 million litres, with the average quota being 425,000 litres. The annual production of milk in the province rose from 7 million litres in 1977 to 12 million litres in 1983. After supply management was introduced in 1983, production skyrocketed to 21 million

litres by 1987, and to 26.5 million litres in 1989. The 1989 production total represented approximately 85% of the allowable quota and was worth just over \$19 million.

Beef Production A survey conducted by the Department of Forestry and Agriculture in December of 1988 indicated that the beef industry in this province was composed of some 2,300 beef cattle on 160 farm units. Information collected by the Task Force supports this estimate, and there are 103 enterprises for which beef is classified as either the primary or secondary commodity. The remaining 57 producers are predominantly small operations or maintain beef cattle as a subsidiary operation. The beef industry is concentrated primarily in the western region of the province where 60% of producers are located. The 1988 survey referred to variations in average herd size, with West Coast producers maintaining larger herds; this is perhaps attributable to the more extensive land base available on the West Coast. The average herd size among beef producers was reported as 14 animals.

Most commercial beef production in the province is marketed to the freezer or door-to-door trade on a cash-sale basis. While some butchers occasionally feature local beef, the absence of inspection services and stiff price competition from imported Western Canadian beef have limited local penetration of this market.

Sheep Production Information gathered by the Task Force places the total number of sheep producers at 154. This figure is based only on the production of sheep as a primary or subsidiary commodity on farms and does not include those small-scale subsistence operations which are so prevalent throughout rural areas of the province. The industry illustrates a marked tendency to concentrate geographically, for the most part, in coastal communities characterized by marginal land bases unsuitable for other types of livestock or crop production.

Like the beef industry, the nature of sheep raising in the province is such that it is extremely difficult to gain a clear appreciation of its true extent or position in the community. Production is characterized by a large number of producers, each keeping a small flock which varies in size from year to year. Flock size in any one year depends to a considerable degree on the perceived level of demand for meat, and on the availability of other opportunities in the economy. The absence of government inspection and regulated slaughter facilities means that most marketing occurs door-to-door. Recorded sheep slaughterings have declined dramatically since Confederation, but there is evidence that this trend has now reversed and production is once more on the rise. Increasing production levels are in response to rising consumer demand, stimulated in part by the introduction of frozen New Zealand lamb products to the province a decade or so ago. Efforts are under way to co-ordinate sheep producers' shipments of fleece to a mill in the Maritimes. While the annual total fleece production is about 6 tonnes, individual enterprise shipments are limited and several farmers merely contract the mill to make garments from the fleeces for their own use.

Fur Production While there is a history of fur ranching, traditionally it focused on the production of mink, particularly around the community of Dildo in Trinity Bay, where waste from the whale factory was utilized as feed. Recent industry growth has been fuelled by increased interest in the production of silver fox pelts. Some ranches continue to breed mink, but almost exclusively in combination with silver fox. Because there has been an interest in developing lynx ranching, three breeder operations have recently been issued permits to carry out pilot projects.

There are 123 active fur producers in the province. Geographically, the fur ranching industry is dispersed throughout the island portion of the province, with notable concentrations in the Trinity Bay - Cape Shore areas of the Avalon Peninsula, and Central and Northeastern Newfoundland. Approximately 70% of all fur ranch operations are situated in these regions. The fur industry produces over 12,000 pelts of mink and fox from ranch farms and over 16,000 pelts from wild animals (beaver, muskrat, squirrel, etc).

Vegetable and Small-Fruit Production It is difficult to estimate with any precision the number of enterprises involved in growing vegetables and small fruits. The Task Force has determined that there are over 200 commercial farms, where vegetables and small fruits are grown as a principal or secondary commodity. Vegetable production continues to focus primarily on traditional crops: potatoes (245 hectares planted), turnips (145 hectares), cabbages (110 hectares), carrots (50 hectares) and beets (25 hectares). However, over the past few years an increasing interest in non-traditional or specialty crops has developed, in broccoli (15 hectares planted), lettuce (10 hectares), cauliflower (8 hectares), chinese cabbage (4 hectares), beans (2 hectares), brussels sprouts (2 hectares), green peas (2 hectares) and a host of other vegetables (together occupying 16 hectares). In the Torbay area, two entrepreneurs are in the process of establishing a commercial mushroom farm.

In the area of fruit production, there has been a pattern of strong growth in the strawberry industry over the past decade. Production has grown to almost 464,000 quarts, worth over \$1.04 million in 1989. There are 31 strawberry farms in the province, most with U-Pick operations on-site, the majority of them located on the West Coast. A total of 75 hectares was planted in 1989. The fortunes of the blueberry industry can change from year to year. The 1987 season produced a bumper crop of 2.6 million kilograms of fruit; in 1988 and again in 1989, just over 1.1 million kilograms were harvested, which, while only half of the harvest of 1987, still represents a significant increase over the 0.63 million kilograms annual average for the 1980s as a whole. These production figures include both cultivated and wild berries harvested primarily on the Bay de Verde Peninsula and in the Gambo-Centreville region; the cultivated berry harvest accounts for only 10% of total production.

Partridgeberries are primarily a wild fruit harvested across the province. Production levels also fluctuate from year to year with anywhere from 6,400 (1984) to 147,000 (1978) kilograms being harvested commercially. Last year, 64,000 kilograms were harvested, with a farm cash receipt value of just under \$100,000. A total of 3 hectares of land on 5 enterprises was devoted to raspberry production. However, figures are not available for other small fruits, such as bakeapples, blackberries or gooseberries.

Agriflora and Nursery Production Despite deficiencies in available data, greenhouse-based farming operations are significant contributors to the agrifoods economy. In 1989, \$3.5 million worth of agriflora and other nursery products was recorded in the farm cash receipt data. While this accounts for approximately 5% of total farm cash receipts and over 30% of receipts realized from the sale of crops, there are several greenhouse products, such as vegetable transplants, which are not included. Furthermore, these data do not cover all greenhouses in the province. Therefore, greenhouse production and value estimates do not come close to approximating the actual contribution made by floricultural and nursery enterprises in Newfoundland and Labrador. For Newfoundland and Prince Edward Island combined (the only way Statistics Canada will release greenhouse production figures), over 4 million bedding plants and 1 million vegetable plants are produced annually. As much as 70% of this production probably takes place in this province. Similarly, 75,000 square metres are recorded in both provinces as being under glass or plastic, producing \$5.4 million worth of flowers, bedding plants and other nursery products.

Forage Production As with the vegetable and greenhouse industries, it is difficult to generate a clear picture of the full extent of forage production in Newfoundland and Labrador, principally because of the absence of comprehensive data on the agricultural land base. Furthermore, the tendency for individual farm enterprises to produce forage crops for on-farm consumption means that such production is not reported through usual channels. The farm mapping project currently under way will help to alleviate this problem. For example, information collected on 48 individual farms indicates that of a total of 1,660 hectares of cleared land, 1,100 hectares are under forage and a further 330 hectares are designated as pasture. The 1986 Census of Agriculture recorded a total of 3,685 hectares under tame hay production and a further 3,800 hectares designated as pasture land. It was estimated by the Agriculture Branch that a further 1,200 hectares have been put into production since that time.

What has become clear about the production of local forage crops is that the province is moving steadily towards self-sufficiency. The Agriculture Branch has indicated that while the total provincial demand for forage has increased by between 1,500 to 2,000 tonnes since 1986, production has increased by an estimated 6,000 tonnes, thereby reducing annual dependence on imported forage by some 4,000 to 4,500 tonnes.

Opportunities for Agrifoods

Almost all individuals, groups and agencies who presented briefs to the Task Force echoed the optimism of both the Royal Commission on Employment and Unemployment and the Newfoundland and Labrador Federation of Agriculture about the future of the agrifoods sector in the province. However, it is easy to make such predictions based on cursory research, intuitive beliefs, or a strong will to see the sector prosper; it may be quite another matter to find good evidence that growth and development can occur in any meaningful way since impediments to the sector's advancement have not been eradicated, despite considerable government investment and many years of perseverance by the industry.

Much of the Task Force's research and background investigation has been concentrated on identifying areas for potential growth and development, determining what measures need to be implemented to realize that potential, and projecting what impact those measures will have on the sector. This research, in concert with the expertise of the industry itself, has led the Task Force to a better understanding of the various constraints to development, and has allowed it to weigh the effort of overcoming those constraints against the benefits that might be derived.

At the same time, some of the major constraints to future growth and development of agrifoods may be well entrenched and difficult to remove. For example, the livestock industries account for 80% of farm cash receipts and considerable value is added to meat and dairy products as they pass through the processing stages: the hog and broiler industries, in particular, together generate almost \$25 million in revenues annually from meat sales alone. However, most of the pork and all of the chicken produced locally are processed by the Newfoundland Farm Products Corporation, which consistently requires government funds of between \$2 and \$4 million annually to cover operating losses. Furthermore, provincial government price supports and other subsidies paid directly or indirectly to the hog and broiler industries combined run over \$2 million annually, apart from federal subsidies on imported feed grains.

One could reasonably ask if the meat and livestock industries can be categorized as truly viable or if the constraints to the future development of these industries, such as high costs of production which require government subsidies, can realistically be reduced or erased in the immediate future. While these kinds of deep-seated problems may not be resolved immediately, the Task Force offers suggestions for long-term resolutions, and interim measures for reducing the short-term impact of the constraints. The Task Force firmly agrees with the Royal Commission on Employment and Unemployment and the Federation of Agriculture: a real potential for agrifoods' growth and development exists which, if realized, could reap considerable benefits in revenues, employment, enterprise creation and increased self-reliance for numerous people associated with the agrifoods industries of this province. Furthermore, some of this potential can be realized almost immediately if certain measures are implemented, measures which, by and large, will not draw heavily on the public treasury. However, before this potential can be realized, a number of problems associated with how the agricultural industries are perceived must be addressed and overcome.

Chapter 3:

The Image of Agriculture

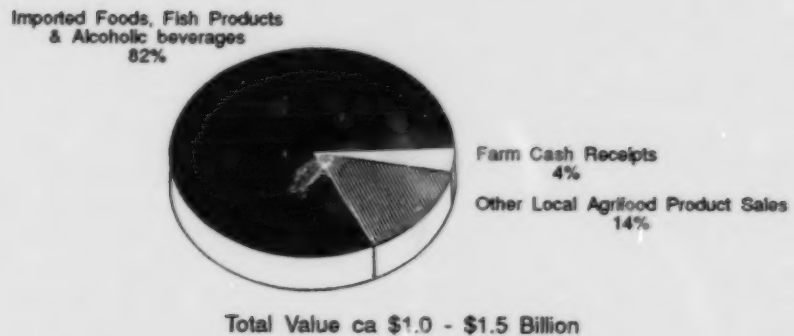
At one of the Task Force's public hearings, a farmer explained that he was once asked what he would do if he ever won a million dollars in a lottery. He replied that he "might just continue farming until the money was all gone"! The ironic implication of the farmer's remark is the difficulty of making agriculture a money-making occupation in Newfoundland and Labrador. In this province it is often viewed as a rural, largely subsistence-based activity providing basic food commodities for local consumption, but not offering much in the way of employment, income or development potential. Thus, agriculture is seen as the poor cousin of the province's resource industries: small, unimportant and over-subsidized. These stereotypes must be challenged. The current perception of agriculture in Newfoundland and Labrador is uncomplimentary and an impediment to industrial growth. In reality, agrifoods make a significant economic, social and cultural contribution to this province and they offer tremendous opportunities for further development.

Problems of Perception

Why is the image of agriculture so poor and its contribution to the economy and to the social fabric of the province not appreciated? Why do some people think farmers must be either extremely persevering or foolish to farm under Newfoundland conditions when there are so many agricultural success stories and so much evidence that producers are earning reasonable incomes from their profession? Several historical and social factors related to the way Newfoundland and Labrador agriculture has evolved might provide some explanation. The dominant rural culture has been focused for more than four centuries on marine resources so that farming in the past has most often played a minor subsistence role. After Confederation there was an onslaught of mainland products which nearly terminated local production. The province's farmers, perhaps, have had more than their share of "rugged individualism" and a tendency not to work co-operatively together. Post-Confederation schemes — like the Burin cattle drive and the Sprung greenhouse — have frequently ended in well-publicized failure and ridicule. Until quite recently there has been a lack of organization within most commodity industries. And, further solidifying

Figure 3.1

**Annual Value of Food and Beverages
Newfoundland and Labrador, 1989**



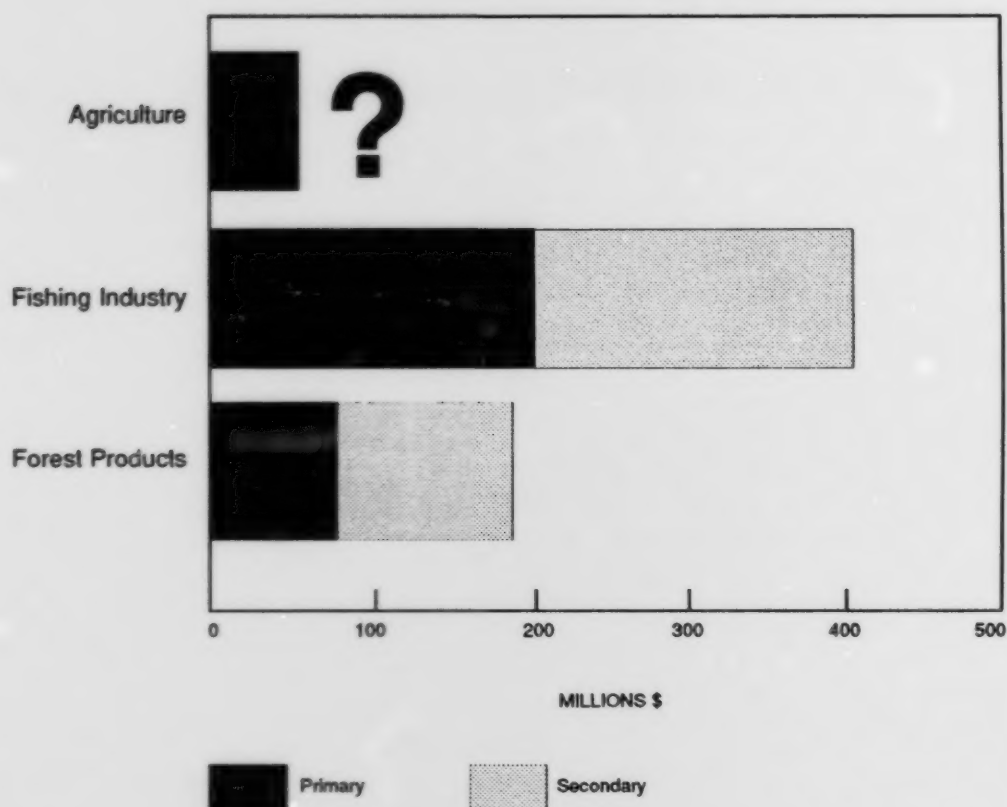
Source: Marine Institute brief to the Task Force; Dept of Forestry and Agriculture Estimates and Task Force calculations.

the negative image is the visibility of what are considered to be unorganized business practices, such as selling produce from the back of a truck along the highway.

There are also financial reasons which explain why the population does not generally recognize the benefits of agriculture. Many of these reasons are perceptual rather than actual, but they perpetuate the image of agriculture as a small, unimportant set of activities, even though the annual value generated by local agrifoods industries is estimated to be more than \$300 million and the total sales of beverages and food (including fish and alcohol) may be as high as \$1.5 billion a year. (See Figure 3.1.) Instead, the value of agriculture to the Newfoundland and Labrador economy is almost always expressed in terms of farm cash receipts, which totalled about \$58 million in 1989. This is the total of what farmers are paid for raw or semi-processed products. However, to define agricultural value in this way is analogous to assessing the fishing industry by the landed value of catch only, or the forestry sector by the value of logging; it means ignoring substantial economic benefits accruing from the further downstream processing of the raw materials. And because the true value of agriculture is not generally recognized, there is a general perception of a high subsidy level within the sector compared to the value of farm cash receipts.

An analysis of the goods-producing sector of the Newfoundland and Labrador economy in 1989 credited agriculture with a contribution of less than one-half of one per cent of total Gross

Figure 3.2
G.D.P. at Factor Cost, by Sector
Newfoundland and Labrador 1989



Source: Newfoundland Statistics Agency

Domestic Product (GDP).¹¹ By way of comparison, the fishing industry generates 8% of GDP and the forest-products industry, 2.9%. In these calculations, secondary activities are included in both the fishing and forest-products industries, but are excluded from the agriculture calculations. (See Figure 3.2.) The value of agrifood processing activities cannot be broken out

¹¹ *The Economy*, Government of Newfoundland and Labrador, 1990.

from the general category of "manufacturing", "wholesaling" or "retailing" for this province. Furthermore, the value of processing activities in the fishing industry exceeds the value of activity at the harvesting level. It is estimated that the value of downstream activities is close to the value of farm gate receipts and the total value of all activities associated with the local agrifoods sector — from the input service industries to the distribution trades — may be three or four times more valuable than farm cash receipts. The lack of reliable data on agrifoods activity beyond the farm gate currently makes it impossible to assess the sector accurately, either in terms of existing levels of employment, contribution to GDP or in terms of economic development opportunities.

Separating the primary and downstream activities of the industry thus tends to diminish the financial importance of agriculture, but this separation affects the producers' perceptions of the industry, too. Farmers see themselves as being separate from the food industries, while the reverse is true of those in the agrifoods processing, distribution and service industries, who tend not to identify themselves with agriculture. This dichotomy leaves little room on either side for understanding. How can producers and processors plan for the development of the industries in which they make their livelihoods when there is so little communication with, and understanding of, the food-distribution trades? Similarly, if food distributors are not in tune with local producers and processors, it is doubtful they can relay their requirements or, more importantly, the requirements of the marketplace to those producing basic foods.

This image problem may be the most significant constraint to the future development of the sector. This constraint must be overcome, not by the expenditure of large sums of money, but by altering the way agriculture is treated in public policy and in the way the agricultural industries promote themselves to the community at large. Government can create a more favourable public policy environment by providing the support needed in the industry to generate a new image, though this task will be primarily that of the industry itself. Another significant step towards altering the image problem must be taken by the agricultural industries — the farmers and processors, in particular. They must promote themselves more as businesspeople and participate more actively in organizations and associations representing the business community. It is imperative for all commercial farmers to see themselves as business managers, representing the front line in a complex and large commercial agrifoods distribution system wherein they organize themselves in such a way that they can protect their interests and develop their industries. This means a higher level of integration between primary agriculture and the secondary and tertiary food industries.

As a start, the agricultural industries, and particularly the Federation of Agriculture as the principal industry organization, could employ some inexpensive methods to raise agriculture's image among the business community. There is no reason why producers in the St. John's area, particularly those operating large and diverse enterprises, should not become members of business organizations such as the St. John's Board of Trade.¹² The Federation of Agriculture could also become an institutional member of the Board of Trade representing all Newfoundland and

¹² The St. John's Board of Trade is a province-wide organization and membership is not restricted to business enterprises located in St. John's.

Labrador producers. With several industry representatives on the Board (and perhaps within a few years, a producer might be elected to the Board's executive), the sector would start to develop a profile within the business community which would extend to governments, the media and the public. Such industry representation would ensure that the agrifoods sector were discussed at major economic conferences sponsored by agencies like the Board of Trade. Similarly, producers and their associations across the province should be encouraged to join local business organizations, such as Chambers of Commerce or Rotary Clubs, and participate in activities sponsored by these groups.

Along with more integration, the industry must develop greater flexibility and responsiveness to the requirements of government, of the consuming public and of each other. This is becoming increasingly important, given the tremendous changes in the structure and organization of the food-distribution industries and the concomitant shifts in consumers' food tastes and purchasing patterns that have already taken place in this province during the last two decades. Greater flexibility and responsiveness will require improved access to new technology, education and management techniques for the full range of production and marketing activities undertaken on and off farms, as well as in farm enterprise management and planning.

Insufficient data about the agriculture industry also help to perpetuate inaccurate and negative perceptions. The lack of attention to agrifoods data is due, in part, to there being no department of either the federal or provincial government with responsibility for the food-distribution industries beyond processing. Given that the food-distribution component of agrifoods in this province is worth over a billion dollars annually, this indifference is disturbing.

Consequently, the Task Force has encountered serious difficulties in constructing an accurate profile of even the agriculture component of Newfoundland and Labrador agrifoods. Information as basic as the number of producers or enterprises, or the commodities produced, is not available, and the Task Force has concluded that available statistical information consistently underestimates the size and importance of agriculture in the Newfoundland and Labrador economy. This raises serious questions about the reliability of other data upon which policy and program decisions are based.

The Value of Agriculture

Determining the true value of the province's agrifoods industries is thus fraught with difficulties not encountered in any other sector or industry. This is a major problem in promoting the sector: if basic information about the economic value of commodities produced or the employment generated is not accurate, how can effective planning for economic development be undertaken? Furthermore, a lack of knowledge about one's own industry reconfirms, for some, the "amateur" status of agriculture: "professional" industries are supposed to be knowledgeable about themselves and their competitors.

In other resource areas, such as the fisheries or forestry, the revenue earned and employment generated as fish and wood are manufactured and distributed are recorded and assigned to the fish-products and forest-products industries respectively. Thus, the total value and

employment impact of the fishing and forest industries, from harvesting to the finished product, can be determined quite readily, and these statistics can be broken down for each stage of the production process. Although agrifood products originating in this province constitute a relatively small proportion of the commodities passing through Newfoundland and Labrador's food trades, it is impossible to determine precisely what that proportion is because accurate data on the total value of the food industries in this province do not exist.

Although statistical information on primary agriculture in Newfoundland and Labrador is collected by Statistics Canada, it represents only the cash value derived by farms from the sale of products. The Agriculture Branch's annual publication *Handbook of Selected Agricultural Statistics, Newfoundland and Labrador* contains about 50 pages of agricultural information, much of it based on farm cash receipts and other Statistics Canada data. Farm cash receipt statistics are quoted often in descriptions of the province's agricultural sector: in Cabinet submissions, policy papers, Ministerial briefing books, government and industry publications, media articles and at major economic planning conferences. It is generally accepted that the 1989 farm cash receipt value of \$58 million is the latest estimate of the value of agricultural production in Newfoundland and Labrador.

The problem is that the farm cash receipts data only include the value of products sold from farms in the province. They do not include the value of a variety of agricultural products which are not produced on farms. For example, most of the province's blueberries are not farm-raised nor are almost all of the partridgeberries, bakeapples, raspberries, marshberries and other small fruits harvested in the province (the one exception is strawberries). The blueberry industry alone was worth \$1.2 million in 1989, yet the farm cash receipts data record the value of all "Other Berries", which includes blueberries, as \$74,000. Therefore, not only has more than \$1 million worth of blueberries been omitted from the "Other Berries" category, but so too were at least \$100,000 worth of other wild berries. Similarly, meat and other products from wild game and birds are not included, and there are no estimates of the value of these commodities in this province.

In addition, many agricultural enterprises are not classified as farms, so the value of their production is also excluded from the farm cash receipts data. Greenhouses, for the most part, fall into this category. Although some agriflora activity is counted in the farm cash receipts data, vegetable transplants and certain other nursery products are excluded from the calculations. At least the farm cash receipts record greenhouse production in Newfoundland and Labrador as a separate entity: because of confidentiality limitations, Statistics Canada will only publish Census data on greenhouse production in this province by combining them with Prince Edward Island data. This is not particularly helpful for agricultural planners in either province.

No data on the processing of agricultural products are captured in farm cash receipts. Obviously, by the time most products reach a processor, they are "off-farm". Therefore, none of the milk produced by the province's two dairies (almost all from local dairy farms) and none of the processed pork and chicken from the Newfoundland Farm Products Corporation (all using local hogs and broiler chickens), are included in what is generally accepted as the statistic which defines the value of agriculture production in this province. Nor are the wide range of products

using local agricultural outputs produced by numerous food processors, wholesalers and smaller cottage industries across the province. However dairies, abattoirs and wholesalers are defined, they are engaged in processing local agricultural outputs and should be counted as part of agriculture's economic contribution.

It is thus not possible to develop a good, statistical picture of the value and employment impact of Newfoundland and Labrador agrifoods beyond the farm gate. Agencies which gather statistics consider processed agrifood products to be manufactures and the components of the food-distribution system are subsumed under a variety of industrial categories: transportation, wholesaling, retailing and personal services. These data cannot be broken down with any degree of accuracy to identify the agrifoods component, and unless accurate data is available, the economic contribution of local agricultural production can never be evaluated, and farm cash receipts will remain as the only estimate.

The Task Force estimates that the published farm cash receipts data undervalue the Newfoundland and Labrador agricultural sector by at least 100% — about 20% is accounted for by off-farm primary products being overlooked and the other 80% by processing and manufacturing operations not being included in the farm cash receipts calculations. A realistic, but rough estimate of the value of primary and secondary agricultural production is \$120 million. The input industries, such as feed companies and equipment suppliers, should also be included in such calculations, as they are in business in this province only because there is a local agricultural industry. While the total value of the agricultural service industry cannot be calculated accurately, the value of the gross annual sales of animal feed alone is in excess of \$20 million. Other industries involved with the food-service trades, commercial and professional services, transportation, etc. add more value to these estimates. Therefore the total economic value generated by local agricultural production in this province, including all components of the agrifoods sector, is probably close to \$300 million.

The importance of these statistics is illustrated when one considers why some sceptics doubt the importance of agriculture: they believe it to be over-subsidized. They calculate that governments, between them, spend about \$30 million on agriculture. Then they realize that agriculture has a farm cash receipt value of only \$60 million. Simple division tells them that 50% of the province's agrifoods production is subsidized. This is thought to be much too high,¹³ higher than the national average and that of the European Community and United States, whose subsidy levels range from 30% to 45%. The numbers are different, though, if the value of Newfoundland and Labrador agriculture is taken to be closer to \$120 million (farm cash receipts plus estimates of off-farm production and processing activity). In this case the subsidy level may be as low as 25%; this is lower than the national, European Community and United States levels (see Table 3.1 later in this chapter under the subsidies section) and, more importantly, it may be lower than government subsidies paid to other Newfoundland and Labrador resource industries.

¹³ This is the case even if it is forgotten that not all government expenditures on agriculture are subsidies, that NFPC's operating deficit is included on the subsidy side of the equation but none of the firm's output value shows on the assets side, or that some of these funds may be spent on other off-farm activities.

Of course, if the total value generated by agricultural production is taken as \$300 million, the subsidy level decreases even further and the local agrifoods industries can be seen from an even more positive perspective.

The Task Force argues that farm cash receipts should not be used as the universal measure of agriculture's value and that this practice should cease immediately. Also, the "farm", as defined by Statistics Canada and other government agencies, should not be the sole unit of reference for the sector. The value of all agricultural activities, both on and off farms, should be included in estimates of agriculture's value and all production units, whether farms or other businesses, should be considered as agricultural enterprises. In other words, agriculture does not end at the farm gate, and the definition of agriculture should be expanded to include appropriate downstream processing and distribution industries, as well as industries which service agriculture, as happens in the fisheries and other sectors. Again, it is for these reasons that the term *agrifoods* should be used to denote the entire agricultural sector from harvesting to retailing to input services.

Perhaps the most significant consequence of agriculture being seen to end at the farm gate is that the agricultural industries and the food processors, distributors and service trades do not see themselves as part of the same industry. The food processing and distribution companies are "manufacturers" or "distributors" who happen to deal in agricultural commodities; they do not see themselves as "agricultural" industries. By contrast, inshore fisherpeople, trawler crews, fish plant owners and fish product exporters are all connected by the common knowledge that they are components of the same industry; none of these groups of people would deny they are part of the fishing industry. Similarly, loggers and pulp mill workers, and miners and smelter workers, would not hesitate to define themselves as being a part of the forestry and mining industries, respectively. It is no wonder, then, that farmers do not co-operate well with wholesalers, processors and retailers or that the downstream agrifoods industries often look down on the farming community. It is also not surprising that neither party is well in tune with the offerings and needs of the other. This has to change in the future: agrifoods has to be seen as an integrated set of industries incorporating all components from primary production to final sales.

It is thus clear that agrifoods industries in Newfoundland and Labrador make a significant — though underestimated — contribution to the province, offering residents a full range of basic food commodities necessary for healthy and nutritious diets as well as a considerable number of luxury and convenience foods. Moreover, the agriculture sector, worth \$58 million in farm cash receipts, also contributes significantly to the provincial and regional economies, to employment, and to the social and cultural fabric of this province — far more, in fact, than the farm cash value of sales indicates.

Agriculture has acted as a stabilizing influence for many rural parts of the province which have been dependent on resource industries for their livelihood — industries, such as the fishery or forestry, which have had their ups and downs over the years. If there are opportunities for expanding agricultural industries — and the Task Force firmly believes there are — such expansion will serve not only to benefit the economy of the province as a whole, but especially

to enhance the economies and stability of rural areas, particularly as other resource industries appear to be in a downswing.

Agricultural activity also contributes to the economic and employment health of urban economies, often to a greater extent than to rural economies. To some, this may be surprising. However, it is a common misconception that agriculture has little direct relevance to urban regions because it is, and always has been, a rural activity.¹⁴ In the immediate area around St. John's there are many industrial enterprises which directly handle agricultural products, cater to the local agriculture industries or provide service to consumers: the two provincial dairies; the headquarters and main abattoir of the largest meat-processing firm in Newfoundland and Labrador; a multitude of medium-sized and small food-processing companies; several trucking firms and shipping companies; equipment suppliers, farm machinery sales firms and repair shops providing services to agriculture; the only large-scale commercial feed mill operating in the province; a host of commercial food-service chains and restaurants; and, several large wholesalers, chain retailers and smaller grocery stores. In addition, there are more than 100 farm enterprises serving principally the St. John's market by producing a wide range of agricultural products, a farmers' co-operative established to serve the needs of producers, and an outdoor farmers' market. Without these agriculture-related industries, the economy of the capital city would be less dynamic and at least \$100 million dollars poorer.¹⁵

Farm Enterprises

The problems the Task Force encountered in acquiring good information on the value of agrifoods in Newfoundland and Labrador were repeated when trying to ascertain the number of agricultural enterprises in operation, the commodities produced and the employment generated in the province. There are no reliable data on either the number of enterprises or the number employed, and the method used to identify commodities produced on a farm is far from satisfactory. There is considerable debate about how enterprises and commodities should be defined and what constitutes "farm" employment. Once again, the published statistics are underestimates in all three cases. For example, Statistics Canada claims there are 651 census farms in the province (that is, with gross annual sales of \$2,500 or more), while the Agriculture Branch has an operational list of 732 farms. This is because the Branch's criteria are different from Statistics Canada's, and the province recognizes producers who do not reach Agriculture Canada's sales cut-off figure.

Using a combination of federal, provincial and industry lists, the Task Force produced its own list of agricultural enterprises.¹⁶ While this was a valuable exercise, it was not entirely

¹⁴ Indeed, the Industrial Revolution was sparked not so much by new forms of urban-industrial organization as by revolutionary changes taking place in agricultural production systems.

¹⁵ This estimate includes only the portion of the total food industry value which is derived from local production and processing.

¹⁶ Although a full list of these 752 enterprises is not reproduced in this Report, Table 7 in Appendix E shows a summary of producers by agricultural region.

successful; a series of considerations about what kinds of enterprises should be included had to be made. Should full-time civil servants, teachers or fisherpeople with small plots of land selling produce door to door or to the local store be classed as farmers? Do they become farmers once they have earned \$2,500 in gross sales in a year? Is the \$2,500 cut-off level used by Statistics Canada a useful one when the effort required to earn this amount varies by industry? What about new entrants who are working to build farms, but have not attained \$2,500 in gross sales? Should a farmer be anyone who obtains agricultural assistance from governments? Is an enterprise producing eggs in one location and growing turnips on a plot several kilometres away counted as one farm or two? Similarly, is an enterprise with two operations producing the same commodity, but under different partnership arrangements, one farm or two?

Problems were also encountered in determining the commodities produced on farms. The existing data classify farms based on the principal and secondary commodities produced. A principal commodity is one which generates 50% or more of a farm's gross income. A secondary commodity is one that generates 25% to 49% of gross income. Commodities generating less than 25% of gross income are not recorded. This classification method is inappropriate because many enterprises produce more than two commodities, which means that a considerable amount of third- and fourth-commodity production is not recorded. For example, a small farm with \$3,000 a year gross sales may be classified as a sheep farm for the primary commodity and as a vegetable farm for the secondary commodity, whereas a \$3 million enterprise classified under hogs and strawberries which also produces sheep and vegetables as third and fourth commodities worth \$500,000 each, will not have its third and fourth commodities listed. Nor is the size of the enterprise considered, so that a small beef cattle farm with 20 head cannot be distinguished from one which has 200.

It has to be recognized that, increasingly, farms are producing more than one or two commodities. This trend should be encouraged because of the advantages to be gained by diversifying the commodity base of enterprises and because it allows producers to capitalize on the linkages among certain commodity types. Forage and dairy, hogs and poultry, and sheep and fur are pairs of industries where one is an input to the other, where both depend on similar inputs, or where they are complementary. Therefore, instead of determining only principal and secondary commodities, farm enterprises in this province should be identified by all activities performed on-farm, regardless of their number, value or importance. This is no different from the fishing industry, for example, where government's listings of fish plants identify all species processed and all product outputs.¹⁷

There are several agricultural industries which pose real problems for estimating annual total production and value. No industry has proven so difficult to grasp statistically as the vegetable industry. The Task Force has identified 198 farm operations on which vegetable production is the primary or main supplementary commodity. It is clear that this figure is not representative of the full extent of commercial vegetable enterprise. Estimates of annual vegetable crop production come from Statistics Canada, and these are based on hectares of land under cultivation

¹⁷ See, for example, *Seafood Processors Directory*, Department of Fisheries, January 1988.

and average yields per hectare for certain crops. These estimates are probably the best available, given that land does not move in or out of production quickly, but the method used in such calculations is extremely crude. Moreover, most additional land developed since the 1986 Census has been dedicated to the production of forage crops (which do not fall within the vegetable classification), thereby complicating the procedure for estimating vegetable production.

Two problems affect the reliability of vegetable production estimates which are based on land under cultivation. First, in the absence of a comprehensive system of land registration, there is doubt that the estimates of total land used for agriculture are accurate, given the constraints to data collection identified earlier. It is clear that these estimates relate only to land under production in the traditional commercial sense. Significant areas of land under production in part-time enterprises are missed in the data-collection process. As well, much of the production from these sources is marketed directly to the consumer for cash, further complicating the data-gathering problem. Secondly, crop rotation practices and varying market conditions dictate that land used for cultivation of a crop in one year could well be used for production of a different crop in another year. Thus, estimates serve to provide only a snapshot in time of vegetable production.

Similarly, the Task Force's research in the area of greenhouse-based production concludes that official statistics seriously underestimate the size of this industry and its overall importance to Newfoundland and Labrador's agrifoods economy. Published data from the 1986 Census of Agriculture place the number of commercial greenhouse operations at 46, ten of which reported sales of less than \$2,500 for the previous year. While the Task Force is unsure to what extent the size of this industry has been underestimated, an observation by one greenhouse operator proved informative: when queried about the reliability of the official statistics he named some 40 commercial greenhouse operations located within an 80-kilometre radius of his own facility.

There are two main reasons why the extent of this industry continues to be underestimated. First, many greenhouse operations are supplementary to the production of other commodities on the farm and as a result, are not identifiable in official databases; others are small, part-time operations, routinely missed in the data-collection process. Second, because most of the production from greenhouses is inedible (such as flowers and bedding plants), both producers and data collectors tend to see these enterprises as lying outside the common, narrow definition of agriculture. Several briefs completely ignored greenhouse operations, and business organizations had difficulty classifying the large urban nurseries as agricultural enterprises.

Employment The Task Force found acquiring accurate information on agricultural employment just as frustrating. Statistics Canada reports that there are approximately 1,100 jobs in the agricultural industry in Newfoundland and Labrador, accounting for 0.6% of total employment in the province. Through simple addition of information acquired directly from the industry, the Task Force counted almost 1,700 positions on only 227 (about one third) of the province's farms. However, there are no other sources of agricultural employment data available and the Task Force was forced to determine employment levels in the relatively crude fashion of aggregating

data based on individual farm enterprises, and providing checks through consultation with agricultural field staff and other sources.

Based on this research, 292 full-time positions, 456 part-time jobs, 781 casual workers and 961 family workers were identified for a total on-farm direct employment of 2,490. However, the Strawberry Growers' Association and the Fox Breeders' Association each claimed in their briefs that their industries employ at least 500 persons seasonally. Similarly, one blueberry producer stated that he employs between 100 and 300 seasonal workers. Although these claims were not verified, there is likely a considerable number of jobs in agriculture, particularly seasonal jobs, that are not counted in any official surveys and which cannot be incorporated, harmonized or even compared with published data because no one knows how many might already be included in the official estimates.

It is known that such employment estimates come nowhere near accounting for the total employment generated because they do not include indirect employment generated by the backward linkages to the industry (feed mills, equipment suppliers) nor by the forward linkages (processors, distribution industries, etc.). Also, unpaid family labour is significant on Newfoundland and Labrador farms, and this is not included in the official statistics. Statistical agencies often estimate on-farm labour based on Canada-wide agricultural employment multipliers; farm labour wages are assessed using standard industry rates, regardless of whether or not those rates are actually paid. The Task Force's dairy cost-of-production (COP) study, performed earlier this year by a financial accounting firm, estimated on-farm labour wage rates and management labour salaries based on already-established Agriculture Canada hourly averages.

Data on the agrifoods industries beyond the primary level are equally elusive. Because agrifoods is not a standard industrial category for data collection purposes, it is impossible to glean from employment tables, the proportion of total manufacturing, transportation, wholesale, retail or service employment that is dedicated to agrifoods. There is no chance of capturing information about agrifoods employment generated specifically from local agricultural production. Information from the four marketing boards indicates that there are approximately 700 positions associated with the processing of their commodities. Thus, even recognizing that these processing employment statistics severely under-represent agrifoods sector employment, the level of direct employment generated from local agriculture which the Task Force has identified is at least 2,490 (primary), plus 700 (regulated commodity processing), for a total of 3,200 jobs. These data deficiencies must be addressed, and the Task Force urges that the Agriculture Branch, in conjunction with federal and provincial statistics-gathering agencies and agricultural field staff, determine accurate levels of employment and, where appropriate, earnings generated by the agriculture industries in this province, including all on-farm and off-farm employment, paid and unpaid agricultural labour, and employment in the agricultural supply and service industries and the downstream agrifoods processing and distribution industries.

There is no need in this Report to go into further details surrounding these issues. There are 752 farm enterprises in this province which the Task Force has identified by region using producer surnames. This listing identifies the major commodities produced by each enterprise. However, the contents of the listing are not entirely satisfactory because accuracy is largely

dependent on information relayed by individual Agriculture Branch field staff. Therefore, because of possible inconsistencies among field-staff records, some entries in the listing may be more complete than others. The important point is that it is imperative for those associated with the agrifoods sector, particularly the Agriculture Branch, to produce an up-to-date listing of farm enterprises, the commodities they produce and other production, marketing and financial data for ready access by any interested party. Tables 5-7 of Appendix E present a summary of the enterprise data described above and shows the differences among Statistics Canada, Agriculture Branch and Task Force data.

Bona Fide Enterprises Some of the confusion surrounding the identity of farm enterprises comes as a result of policy-makers' reliance on the definition of a *bona fide* farmer. The Task Force was asked several times to determine what a *bona fide* farmer should be so that distinctions could be made between full-time producers (*bona fide* farmers who presumably would be eligible for government assistance) and part-time farmers, hobbyists and subsistence producers (who presumably would not be *bona fide* farmers and therefore would not be eligible for government assistance). The Task Force had considerable difficulty with this term and with requests to define it. Apart from individual fisherpeople who are defined as *bona fide* for licensing purposes, there is no other industry where a person, rather than an enterprise, is defined in such a manner. Consistent with the view that agriculture should be treated like any other industry, there are no gains to be made by defining *people* who are engaged in an enterprise activity; it should be the *enterprise* which is defined as *bona fide* or not, in the same way as a forest-products firm, a mining company, a hotel, a retail store or even a pizza parlour is defined as an entity, regardless of the characteristics of the owner or operator.

Government and the industry are urged to move away from defining agriculture by the number of people involved, and from making decisions based on the people who run enterprises. The focus should be on the enterprise itself, its operations and the commodities it produces. If an enterprise with \$500,000 gross sales is owned by a husband-and-wife team, each with an off-farm job, then so be it. The enterprise can be defined as a full-time enterprise depending on the nature of its operation; it is irrelevant if the owners do not work full time at agriculture. If the industry is concerned that farmers with other occupations can afford to undercut full-time producers, thereby affecting commodity prices and markets (and this was one reason why the Task Force was asked to define a *bona fide* farmer), then these are issues that should be addressed in another forum, such as in discussions about the need to establish marketing boards to regulate prices.

The nature of agrifoods data has been discussed at length because the disorganized state of knowledge about the sector, emphasized consistently by the under-valuing of agriculture, can be overcome through better use of information about agrifoods activities. For this to happen, there has to be a concerted effort on the part of governments and the industry to collect up-to-date, reliable and complete information about all agrifoods enterprises in this province. This would do more to promote agrifoods generally and modify the image of agriculture in particular than many of the other suggestions outlined in this report. With this type of information available, the Task

Force notes that funding sources will be able to make better informed decisions about applications for assistance.

The Task Force therefore recommends that

1. the Agriculture Branch acquire accurate and detailed data on all components of the agrifoods sector, including the number of enterprises, economic value, employment levels and income;
2. the Branch determine an operational definition of the term *farm enterprise* and prepare a classification of all enterprises and components of the agrifoods sector; and
3. in line with the concept of promoting agricultural industries as commercial businesses, the Branch adopt the "enterprise", rather than the "individual producer" as the principal unit of reference so that the *bona fide* enterprises become the focus for determining program eligibility.

Non-Gender-Specific Agriculture The Task Force received several briefs presented on behalf of various women's organizations. A common theme in these presentations was that women and their work on farms are invariably discounted, both in people's perceptions of who practises agriculture and in the collection of agricultural data. For example, the statistics describing on-farm activities, particularly those related to income, usually ignore the role of women and the value of their labour. This is mainly because farmers have traditionally been seen as male, and women's on-farm work has largely been provided free of charge. Therefore, women's farm labour usually goes unrecorded, regardless of whether or not it entails running the farm household, milking the cows or managing the enterprise's business accounts. This omission does not give an accurate reflection of the division of labour on farms and, consequently, it disregards the overall contribution women make to agriculture.

The failure to include women's on-farm work in agricultural statistics, especially those unpaid activities, has a more serious impact. It often inflates agricultural income statistics as the contributions to the farm by (usually female) spouses are subsumed under (usually male) farmers' earnings. Thus, when we read that the average annual net income of the Canadian farmer is several thousand dollars higher than that of the average Canadian worker, we have to stop and wonder what this means. First, the statement is often used to criticise farmers for earning too much compared to other Canadians. More importantly, however, it ignores the fact that farmers' incomes are generated not by their activities alone, but also by the work of spouses and in many cases, other family members. Accountants, teachers, garbage collectors and civil servants cannot normally be assisted in their work by their spouses, so their average per capita income statistics truly reflect the value of their labour. However, as most farmers have spouses (not to mention other family members) who often contribute unpaid labour, it might be fairer to cut average per capita income statistics in half to account for the fact that the statistics include more than one person's labour.

Similarly, when the public hears that there are 752 farmers in Newfoundland and Labrador, there is an assumption that there are almost as many farmers' wives. Of course, not all of these

752 farmers are male and many of these "farmers' wives" consider themselves to be farmers. Unless farm enterprises are formally listed or incorporated by individual names, it is impossible to tell how many women farmers there are in this province. One way to overcome this problem is to assume that if there are officially 752 farm enterprises in Newfoundland and Labrador, there are close to 1,504 farmers: farmers' spouses are farmers in their own right and most enterprises are run by two farmers. As the Provincial Advisory Council on the Status of Women pointed out in its brief, agriculture is fortunate in gender language: the term *farmer*, unlike *fisherman*, is not gender specific. The Task Force has already recommended that government and industry remove the emphasis from the individual farmer and place it on the farm enterprise. The above comments are a further reason for this recommendation.

When data on women's on-farm activities are collected, often they cannot be published or made available. This is because of certain confidentiality restrictions imposed by agencies like Statistics Canada. Therefore, there is very little published information on women's formal on-farm activities in Newfoundland and Labrador, again perpetuating the error that men perform farming while women run the farm house. The Task Force has been unable to place a value on women's work on farms or in the processing industries or determine employment levels, hours worked, income received, and pensionable benefits. Those data are hard enough to acquire for occupations that do not face the gender-recognition problems characterizing primary activities like agriculture. Gender-specific information for agriculture would be extremely useful and the Branch should collect such data in co-operation with the Women's Policy office and farm women's organizations.

The Task Force therefore recommends that

4. in the process of gathering agrifoods data, special attention be paid to women's contributions to the sector and to potential problems arising as the result of women's on-farm work not being officially recognized. In particular, the Women's Policy Office should determine the status of farm women with respect to pensions, Workers' Compensation and other programs for which normally only employed labour is eligible, and identify appropriate policy changes that should be made.

Subsidies

The province's agrifoods industries are also affected by world economics and international trade policies. An international effort is currently under way among members of the Organization for Economic Co-operation and Development (OECD) and through the General Agreement on Tariffs and Trade (GATT) to reform agricultural policy in government support programs. Internationally, there is a clear perception that, in their attempts to ensure the competitiveness of their agriculture sectors on world markets, government support programs and policies have distorted trade and created domestic problems for numerous countries. The OECD, of which Canada is a member, has agreed that the long-term objective for agriculture is to allow market signals to influence the orientation of agricultural production by way of a progressive and concerted reduction of agriculture support. As Table 3.1 shows, transfers (government subsidies) to farmers increased dramatically between 1979-85 and 1988 in the countries indicated, while

Table 3.1
Agricultural Support in Terms of Producer
Subsidy Equivalent (PSE) ¹
PSE in national currency as % of production value

Country	1979-85 (average)	1988 ²	1989 ³
Australia	11	10	10
Austria	29	49	44
Canada	30	43	35
EC ⁴	35	43	38
Finland	57	74	72
Japan	64	75	72
New Zealand	23	7	5
Norway	71	76	74
Sweden	42	52	47
Switzerland	67	80	75
United States	26	35	27
OECD Average	34	45	39

¹ Producer subsidy equivalent (PSE) is the value of transfers to farmers resulting from agricultural policies. These transfers are financed by consumers in the form of market price support and/or by taxpayers through direct payments and other forms of support. The PSE is net, the extra cost of animal feed has been deducted.

² Estimate.

³ Provisional.

⁴ EC of the Ten for 1979-85, and EC of the Twelve since then.

Source: The OECD Observer 165 August/September 1990

there were small decreases in 1989. Political sentiment suggests that the international community is intent on dealing with the question of agricultural reform in a more serious manner.

There is no question that a more serious approach to subsidies is required. Agricultural spending currently takes up about one half of the European Community (EC) budget, a daunting prospect for any country attempting to compete with EC farmers. In the United States, farmers are paid *not* to use an area which is equal to all the arable land in France and Germany. In Canada, 1990's grain harvest was sold at record low prices because of the subsidies, import quotas and tariffs of other countries, all designed to protect their agricultural industries.

Elimination or adjustment of domestic and export subsidies is not the only focus for agricultural reform. Systems of supply management are generating heightened criticism by the international trading community. The federal government continues to support supply

management for the egg, poultry and dairy industries. In current trade negotiations, Canada is offering only modest decreases in support to its dairy industry while allowing equally modest increases in imports of eggs, poultry and dairy products. While producers of these commodities are understandably pleased that the support decreases are not greater, other segments of society, namely the food trades and consumers, have criticised this position of supply management. Under supply management, producer-controlled marketing boards set their own prices and determine supply, and, at the national level, import quotas are used to restrict foreign competition. Critics of supply management, namely Canada's trading partners, consumers and food processors argue that the system is not working as it should: it is supply-driven rather than market-driven and consumers, in effect, subsidize producers through higher prices.

Advocates of the system argue that without supply management, the forces of supply and demand will govern production, leaving consumers entirely at the mercy of market forces for certain vital food commodities; they also point to increased production and consumption, efficiency gains and the strong financial status of most producers as a result of the system. Supply management, therefore, provides for stability in what would otherwise be a chaotic situation.

The Canada-United States Free Trade Agreement also has implications for Newfoundland and Labrador agrifoods industries. Work performed by the Intergovernmental Affairs Secretariat and the recent countervail actions by American industry strongly suggest that even where provinces do not export agricultural commodities, domestic subsidies may not be permissible. Even though Newfoundland and Labrador is not an exporter of chicken and pork, for example, the operating grant paid to the Newfoundland Farm Products Corporation and the production subsidies provided to the chicken and hog industries may be countervailable under the trade agreement; a number of other federal and provincial subsidies are also questionable. While the Government of Newfoundland and Labrador should not allow the Free Trade Agreement to dictate public policy for agrifoods, all proposed policies and programs must first be evaluated in terms of their compatibility with any multilateral and bilateral trading arrangements and any negative impacts that might occur.

Agricultural public policy in Canada has adhered to the principle that food should be reasonably priced and affordable to all socio-economic segments of society. This is what is commonly known as Canada's "cheap food" policy. This principle has had a substantial impact on the direction taken by the Canadian agrifoods sector in the past and it is centre stage in the debate over the effects of trade agreements and supply management systems. However, the federal policy paper *Growing Together*¹⁸ appears to send mixed signals about the direction of federal policy in the future, particularly in light of the Canada-United States Free Trade Agreement and GATT discussions on subsidies. This policy paper proposes that a national agrifoods policy be built on a number of principles, the main one being a greater market orientation. At the same time, the importance of maintaining the family farm enterprise as the unit of production is stressed under the rubric of regional self-reliance. Therefore, the federal

¹⁸ *Growing Together: A Vision for Canada's Agri-food Industry*, 1989.

government does not advocate changing Canada's system of production towards one characterized by large, vertically integrated agrifoods corporations, such as that found in the United States.

These principles are not entirely inconsistent with one another, nor with the concept of producing food products as cheaply as possible. However, the Task Force will be interested to see how the integration of these divergent principles can be accomplished; if Canada wishes to promote greater market orientation it will have to determine how to achieve this while maintaining the family farm system of production. Regardless of supply management and other factors, a national agricultural sector built on a system of family farm enterprises cannot produce commodities priced as competitively as one built on a system of large, vertically integrated agrifoods industries. For example, there are several broiler-chicken operations in the Southern United States whose output is almost as high as that of all Canadian broiler farms together. These corporate enterprises are fully integrated (grain production, feed mills, chick supply, transportation and wholesalers) and they can deliver fresh chicken almost anywhere in North America at a price competitive with local producers.

Therefore, there will be an additional cost attached to maintaining the Canadian small family farm tradition in the face of competition from American agribusiness. This cost will result in either higher prices of commodities in the market place — where Canadian goods will inevitably be more expensive than American goods — or in government subsidies to assist producers and exporters competing in the market place. This issue presents the federal and provincial governments with a dilemma, particularly given the movement towards trade liberalization and restrictions on domestic and export subsidies. The question is what the effect will be on Canada's agrifoods sector of any modifications of national policy towards greater market orientation. Equally important is what the impact will be on regional agricultural systems, specifically the agrifoods industries of Newfoundland and Labrador.

The Task Force believes that federal agrifoods policy, whatever form it takes, will inevitably affect the development of the agrifoods industries of Newfoundland and Labrador. This is particularly because provincial programs are influenced considerably by federal policy and the availability of federal funds. This is not a new issue, nor is it necessarily confined to agriculture. Federal government programs, designed according to national priorities, are often not tailored to the needs of any individual province. Because funds are made available under such programs, there is pressure on the provinces to enter into cost-shared agreements which devote considerable financial resources to programs which may not be compatible with provincial priorities. For provinces like Newfoundland and Labrador, which have a limited fiscal capacity, the availability of federal funds through cost-shared agreements is vital for the development of the agrifoods sector. Therefore, considerable federal influence over provincial programs and policies will continue, unless the province adopts a solid set of basic principles — such as those identified in this Report — which will underlie the future development of the agrifoods sector.

The Government of Newfoundland and Labrador, however, contributes more funds annually to the agriculture sector than does the federal government, as Table 3.2 shows; only in Newfoundland and Labrador, British Columbia, Quebec and Nova Scotia is this the case. Moreover, the federal government's annual expenditures on agriculture in Newfoundland and

Table 3.2
Percentage Increase/Decrease in Federal Expenditures
on Agriculture by Province 1981/82-1988/89
As a Proportion of Total Government Expenditures

Province	1981/82 Federal Share	1988/89 Federal Share	% Change
Alberta	40.7	75.3	+ 34.6
Manitoba	78.8	87.4	+ 8.6
Ontario	47.1	51.8	+ 4.7
Saskatchewan	86.3	90.6	+ 4.3
New Brunswick	67.7	69.4	+ 1.7
British Columbia	54.0	47.9	- 6.1
Quebec	45.4	36.4	- 9.0
Nova Scotia	44.5	32.1	- 12.4
Prince Edward Island	72.1	59.4	- 12.7
Newfoundland and Labrador	57.0	35.7	- 21.3

Source: Agriculture Canada

Labrador, as a percentage of total government expenditures in the sector, have been decreasing. Since 1981-82, federal spending on agriculture in Newfoundland and Labrador has decreased from 57% of total federal and provincial expenditures to 36% in 1988-89; corresponding provincial expenditures have had to increase from 43% to 64% during the same period. As Table 3.2 indicates, this province has endured a higher proportionate decrease in federal spending on agriculture than any other province, with the result that the province's agriculture sector does not benefit from the same level of federal subsidization as do most other provinces in Canada. In the Task Force's opinion, this is a disturbing trend, particularly since this makes greater demands on scarce provincial financial resources.¹⁹

The matter of subsidies also influences the public perception of agriculture. When farm cash receipts are compared to the levels of government expenditures on agriculture, the impression is given that agriculture is supported heavily by the public purse. According to Agriculture Canada estimates for 1988-89, the federal and provincial governments together spent \$35.6 million on the agriculture sector in Newfoundland and Labrador. This means with a farm cash receipt value of \$54 million for 1988 governments spent 65¢ for every dollar of farm cash receipts generated by local agricultural industries — a subsidy level of 65%. Table 3.3 shows these annual government expenditures.

¹⁹ The issue of federal-provincial funding is addressed in more detail in Chapter 12.

Table 3.3
Federal and Provincial Government
Expenditures on Agriculture¹
Task Force Estimates in Parenthesis²
Newfoundland and Labrador 1984/85 — 1988/89
\$ Million

	1984/85	1985/86	1986/87	1987/88	1988/89
Federal	9.0 (6.9)	6.9 (6.8)	7.4 (6.8)	15.4 (9.4)	12.7(10.5)
Provincial	8.1 (8.1)	10.9 (10.1)	13.8 (11.1)	16.8 (14.6)	22.9 (19.1)
Total	17.1 (14.0)	17.8 (16.9)	21.2 (17.9)	32.2 (24.0)	35.6 (29.6)

¹Published Data from Agriculture Canada

²Task Force Estimates from Provinces Public Accounts and Federal Departmental Data

Source: Agriculture Canada and Provincial Public Accounts

Table 3.4
Estimated Federal and Provincial Government
Agriculture Subsidies
Newfoundland and Labrador 1984/85 — 1988/89
\$

	1984/85	1985/86	1986/87	1987/88	1988/89
Federal	2,591,000	1,954,000	2,006,000	3,441,000	4,087,000
Provincial	3,333,500	4,126,000	4,812,500	5,591,500	7,229,500
Total	5,924,500	6,080,000	6,819,500	9,032,500	11,316,500

Source: Direct Contacts with Federal Agencies and Provincial Public Accounts

The Task Force also calculated federal and provincial expenditures on agriculture using provincial public accounts and federal departmental data. The Task Force's expenditure totals are significantly different from those published by Agriculture Canada. According to the Task Force's research, governments' expenditures for 1988-89 totalled \$29.6 million, meaning that they spent \$55 for every \$100 of agricultural output (a 55% subsidy level). Despite the discrepancies between the two calculations, and recognizing the limitations imposed by using farm cash receipts as the measure of agricultural value, the conclusion indicated is that governments provide a high annual level of subsidies to the agriculture sector in this province. Both the 65% and the 55% subsidy estimates appear to be out of line with those of neighbouring provinces. Calculations using Agriculture Canada data show subsidy levels in other Atlantic Provinces to be significantly lower: 33% in Prince Edward Island, 34% in Nova Scotia and 35% in New Brunswick.

It could be argued that the total budgeted expenditures of the federal and provincial agriculture departments cannot fairly be called subsidies to the sector. Costs, such as departmental administration, operating car washes at ferry terminals and imported food inspection services, benefit industry only indirectly. A fairer way to identify subsidy levels might be to include in the calculations only direct government transfers to industry and producers. These direct transfers for the period from 1984-85 to 1988-89 are outlined in Table 3.4. In 1988-89, when farm cash receipts were valued at \$54 million, governments provided more than \$11 million to agriculture industries. Therefore, governments spent \$20 for every \$100 worth of agricultural output, a subsidy level of 20%. This level is significantly lower than the estimates discussed previously.

The Task Force has concerns about the database used to define the agriculture sector by both the federal and provincial governments. These concerns include the way expenditures are recorded. The Task Force is unable to explain, for example, how the data are collected, and suspects that some expenditure figures are inflated. It is known, for example, that certain problems occur because of the way Agriculture Canada allocates Atlantic Region and national program expenditures by province. Efforts are being made to improve Agriculture Canada's database so that it will reflect more accurately the department's expenditures in Newfoundland and Labrador. This more accurate accounting will show that agriculture in the province is not subsidized as heavily as past calculations have suggested. Agriculture Canada, for instance, by using a different definition of subsidies, claims that Newfoundland and Labrador is less subsidized than any other province through direct government-to-producer transfers, and is well below the national average.²⁰ Between 1980 and 1985 (the latest data available), total federal and provincial payments to producers in Newfoundland and Labrador as a percentage of farm cash receipts, ranged from 0.67% (1980) to 0.19% (1985) compared to the national average ranging from 4.15% to 10.06% over the same period. In 1985, government-to-producer subsidy levels

²⁰ For more information, see Agriculture Canada's *Farm Financial Assessment Report*, prepared for the Federal-Provincial Working Group on Farm Finance by the Development Policy Directorate, 1986. The report's definition of subsidies includes only direct federal and provincial payments to producers for Market Shortfall, Disaster Relief and Production Support. Subsidies to hog and broiler producers, for example, were not included.

in other provinces ranged from a low of 4.17% in New Brunswick to a high of 17.84% in Saskatchewan.

While direct government-to-producer transfers are not the only subsidies available in agriculture, they are a principal form of subsidy provision, and these data suggest that Newfoundland and Labrador producers are not overly dependent compared to farmers elsewhere in Canada. Such issues associated with subsidies, the inappropriateness of using farm cash receipts to represent the value of agriculture, and Agriculture Canada's data on national agriculture expenditures must be addressed by industry and by the Agriculture Branch.

Chapter 4:

The Livestock and Poultry Industries

In Newfoundland, the livestock and poultry industries represent a major portion (over 80%, or approximately \$45 million in 1989) of the farm cash receipts. This, of course, includes the dairy industry dealt with in Chapter 6 of this report. Farm cash receipts for broilers alone amount to over \$13 million annually while hogs return over \$4 million each year. In addition, the gross sales of Newfoundland Farm Products Corporation in these two commodities amounted to almost \$22 million in 1989. The significance of these industries to the economy is obvious not only in strict economic benefits but also in the context of supplying quality, fresh products for the Newfoundland consumer. (See Appendix E, Figure 1.) The market share held by Newfoundland producers is about 45% for chicken, 10% to 12% for pork and less than 10% for the lamb, beef, turkey and other fresh and processed meats. It appears that local production of processed meats (hams, bacon, sausages, puddings, and other prepared meat products) is increasing but probably accounts for only a small portion of Newfoundland's market requirements.

The end-product subsidies to both the hog and broiler producers do not fit with the Task Force's principles for Agrifoods development outlined earlier in this report. In addition, there are a number of other problems in the livestock industries which contribute to this unacceptable situation. The challenge has been to develop a strategy which will place these industries within the framework of basic principles of competitiveness and viability described earlier and lead them out of their dependency on government subsidies.

The opportunities made available and the ability to capitalize on them will depend to a large degree on the attitudes and approach taken by government and industry in developing a progressive, dynamic and competitive meat industry in this province. The livestock and poultry industries in general may be required in the future to compete in a free world market without protective tariffs or subsidies. Production efficiency therefore becomes paramount to a successful industry. To keep pace with agricultural changes both nationally and internationally, the challenges of environmental concerns, new management concepts, a more competitive market and development of, or adaption to, technological changes in the industry must be squarely faced. Thus, government will need to ensure that, in the future, the province has a healthy livestock industry, for both social and economic reasons, and that the long-term objectives, consistent with national and international trends, be to make the industry self-sustaining. To accomplish this, government and industry must work together towards a goal of long-term competitiveness, thus

ensuring sustained profitable growth and gains in market share. In the interim, government should promote a greater market orientation through a planned program of subsidy reduction.

The Hog Industry

Before 1962, commercial swine production in Newfoundland was insignificant. Hog production consisted mainly of the widespread, traditional raising of a few pigs for home consumption or sales in the immediate area. These pigs were generally imported from the Maritime provinces as weanlings for summer feeding and fall butchering. The health status of these animals left much to be desired and commercial production was prohibitive due to poor growth, disease outbreaks and spatial distribution. A survey in the late 1950s indicated 12,000-15,000 animals were imported annually for this purpose. Improved standards of living and population shifts from rural to urban areas resulted in a rapid decline of such subsistence production.

The provincial government, acting essentially on the recommendations of the 1955 Royal Commission on Agriculture, developed a Swine Development Program and introduced it in 1962 to stimulate and guide a commercial swine industry in the province. The objectives established were ambitious: to stimulate development of a swine industry in Newfoundland; to provide high quality breeding stock with minimal disease for commercial producers; to provide weanling pigs for feeder operations; to declare the province a disease-free area for swine; and to produce a source of top quality breeding stock with minimal disease for the export market. A specific plan was developed which saw government establish a provincial Swine Breeding Station (a second station located at Pynn's Brook was opened in 1974) which acquired a nucleus herd of specific-pathogen-free (SPF) hogs to supply hybrid gilts and weanling pigs to producers throughout the province.

A slaughtering facility was established under the management of the Newfoundland Farm Products Corporation, a Crown corporation established to slaughter, process and market agricultural products, including hogs. Government encouraged commercial operators to produce market hogs through a variety of incentive programs, including guaranteed bank loans through the Farm Development Loan Board for farm development and acquisition of breeding stock, advisory services, inspection programs, veterinary services, and an education program. In addition, a feed mill was constructed by government near St. John's. It was managed by a private corporation which later bought the mill from government. Shortly after, a group of commercial producers formed the Newfoundland Swine Producers Association, which spoke on behalf of producers until 1983 when the Newfoundland Hog Marketing Board was formed to lobby on their behalf. The Board currently has 17 registered producers and it has legislative power to establish farm gate prices for live hogs. Through the committed efforts of particular Agriculture Branch staff and a number of dedicated producers, many of the original objectives of the Swine Development Program have been achieved.

Opportunities A commercial swine industry was established in 1962 when high quality breeding stock and weanling pigs with minimal disease problems were provided to producers. In 1977, after all potential sources of swine diseases were eliminated, the province was declared a disease-

free area for swine. Legislation was introduced in 1977 to restrict entry of live hogs into this province. However, opportunities to capitalize on the export potential were never pursued. Nevertheless, the organization, breeding program and quality of breeding stock (particularly its health) of the province's hog industry remain, according to the Agriculture Branch, unique in the world. Newfoundland is the only province in Canada, and perhaps the only place in the world, whose hogs have a minimal disease status. Producers enjoy the lowest rate of pig mortality from birth to weaning in Canada, and for the past 12 years Newfoundland breeding stock has had the lowest number of days to market in the country. Newfoundland is also the only province with 100% of its breeding stock registered in the national Record of Performance (ROP) program.

The program is recognized as one of the best breeding programs in the world and one in which health and production performance of all commercial hogs are recorded and monitored. While some Newfoundland hogs have a higher backfat than breeding stock in other provinces, records show that backfat thickness has declined at a rate of 0.23 millimetres per year for the past ten years, with the rate of decrease accelerating.

Research by the Task Force indicates that there exists a considerable demand worldwide for good quality breeding stock with a known health status. Interest groups representing Southeast Asia, the Pacific Rim, Central and South America are actively seeking breeding stock from Canadian producers who have been promoting their herds for such purposes. These interest groups choose Canada in particular since it is known worldwide that Canadian herds are relatively small and tend to have fewer diseases than larger herds elsewhere. International buyers are paying in the range of \$400-\$2,500 per animal for quality breeding stock, based on hog size, age, sex and production performance. Although exact figures are not available, indications are that Canadian hogs are flown annually into Mexico and South American Countries, for breeding stock. The Russians have included pork on their recent shopping lists of foods of which the Soviet Republics are in desperate need.

Because of its location and relative isolation, Newfoundland has a remarkable strategic advantage for producing swine of high health standards. The advantages of having minimal disease herds include improved rate of gain, higher feed efficiency, fewer days to market, reduced rate of mortality, reduced drug utilization and consequently lower operating costs to producers and a safer, more acceptable product for consumers. In addition, the opportunities for export are greater.

There are a number of common swine diseases on the mainland that do not exist in this province. It is apparent that the excellent health status of the swine herds across the province has been maintained throughout the years with remarkably few infections or contagious diseases detected. Livestock inspectors at the ferry terminal in North Sydney ensure that no pigs are smuggled into this province. As well, swine at the province's breeding stations are routinely tested for specific diseases. Both industry and government should move immediately to capitalize on the healthy condition of its swine. First, a thorough review of the present health status is required to confirm this uniqueness, and second, once confirmed, the implementation of an aggressive marketing and promotion program to advertise the local stock for breeding purposes.

The Task Force suggests that government and the hog industry in Newfoundland are in for a most pleasant surprise at the response from international interests in high-quality breeding stock.

Problems Although there are many positive points to consider in the Newfoundland Swine Industry, its viability and competitiveness have been beset with financial problems from the outset. During the 1960s and 1970s, the hog industry expanded and the future for capturing a significant portion of the local fresh, frozen and processed pork market seemed bright. However, the industry, aided by government, appears to have placed all its eggs in one basket rather than to have capitalized on the export potential for breeding stock, frozen semen and other related technological components associated with hybrid, specific-pathogen-free, high-yielding herds.

Government assistance to hog producers can be traced back to the mid-1960s when prices of pork began to decline while interest rates on loans and cost of feeds rose rapidly. At this time, government assisted by revamping all outstanding producer loans. In June 1974, a temporary Swine Industry Stabilization Program was implemented with guaranteed prices to producers paid by NFPC. This basic program was replaced in 1976 with a Toronto price plus 4.4¢ a kilogram (2.0¢ per pound), ordered paid by NFPC.²¹

The Hog Stabilization Program was established and in 1980 a revised stabilization program was implemented after producers lobbied government for further assistance. Also, in 1980 a special Swine Loan Assistance Program was ordered to be established under the Rural Development Authority.

During late 1979 and early 1980, the COP formula was established to be used as the basis of all assistance programs. In 1981 another short-term industry stabilization program was recommended but never used because producers found it insufficient. In 1983, the newly formed Newfoundland Hog Marketing Board, in search of a solution to continued low prices, gazetted a price of \$1.87 per kilogram (85¢ per pound). NFPC, not in a position to recover these costs, refused to take hogs; consequently, government reacted by providing interest-free loans to producers for a set period and establishing a support price based on total cost of production, less depreciation, less return on capital. A pay-back price was established based on the total cost of production, less one-half depreciation, less return on capital. In 1985, a further interest-free loan was provided which had similar support and pay back levels. After little hope of pay back, government authorized NFPC to pay \$1.87 per kilogram. In 1986 a minute-in-Council provided authorization to the Department of Rural, Agricultural and Northern Development to provide support to both the hog and chicken industries. This program was retroactive to April 1, 1986 and except for a temporary increase in the maximum subsidy from 55¢ to 77¢ per kilogram (25¢ per pound to 35¢ per pound), the program remains intact. Payment is made through the department's budget by NFPC. The hog component program cost \$266,000 in 1986, \$382,000 in 1987, \$829,000 in 1988 and \$980,000 in 1989. If NFPC's losses from hog processing – approximately \$500,000 – were counted as an indirect subsidy, along with the costs to the

²¹ Prices for the hog industry are expressed in dollars/cents per pound as well as in dollars/cents per kilogram because the industry, by regulation, deals in pounds and not in kilograms.

province of operating the Swine Breeding Stations (over \$800,000 net), the total annual provincial subsidy rises to almost \$2.3 million for an industry of 17 registered producers. In addition, the Federal Special Assistance to the Livestock Industry Program will have provided Newfoundland producers with over \$500,000 between 1989 and 1991.

The industry is currently facing much uncertainty about its future, and little money appears to be going back into the basic infrastructure. Producers themselves are reticent to increase their investments in an industry that has been steadily declining over the past several years because of increased cost of production and depressed hog prices, both nationally and internationally.

Many hog producers have stopped farming or have switched from hogs to other commodities. Consequently, the province is only 10% to 15% self-sufficient in pork products. The industry is losing ground to outside suppliers and the opportunities for capitalizing on export of hybrid stock have not been pursued. Today there are eleven commercial producers marketing approximately 23,000 hogs through NFPC. Over 17,000 hogs, or approximately 74% of this production comes from four producers. The bulk of production is located in Eastern Newfoundland with smaller production occurring in the central area of the province. Existing farm facilities are apparently utilized to capacity and NFPC has difficulties dealing with processing schedules, low volume throughputs and the marketing of pork products. Hog production schedules are such that too much pork production has occurred when NFPC market demands are lowest.

The hog industry is governed by supply and demand as opposed to the supply-management system governing the chicken, egg and dairy industries. Unlike these three commodities where production and prices are fairly stabilized, the prices for hogs are very unstable. Hog prices have been particularly low for the past two years and the industry as a whole has been plagued by one problem after another. Newfoundland hog production is affected by problems that are national in scope, such as free trade, countervail duties, export markets, world grain production, over-production of hogs by the major exporting provinces and the United States, and a decrease in the consumption of pork, associated with the cholesterol scare and the lower nutritional value of pork products compared to poultry. It is clearly time for a different approach to the hog industry in this province, one which is more market-oriented, which will revitalize the hog industry and which will reduce or eliminate the need for subsidies.

Past dependency on government support programs has contributed to the stagnation in the industry. Decisive action must now be taken by government in consultation with producers and processors to change the current situation. The Task Force proposal essentially amounts to a final effort to make the industry more viable and competitive by capitalizing on its advantages.

Neither government nor producers have taken full advantage of the very positive results of the Swine Development Program, either in reduced cost of production or in returns from a unique product in the marketplace. There is a consumer preference for the local product and consumers will pay a premium price for it. This preference has been demonstrated for years by an independent hog producer in central Newfoundland who markets uncut hog sides to local retailers in competition with cheaper product from outside the province. This producer demands and receives a premium price and retailers likewise receive a premium price. This producer markets

1,500 hogs per year in this manner. However, the potential market and the price consumers are willing to pay for a Newfoundland grown product, promoted for its uniqueness and freshness, is not known. Nor is it known to what extent a market niche can be captured for select, premium-priced, processed pork products which are currently being imported from European processors and marketed locally. It is also not known what the export potential might be for a unique pork product.

It is recognized that the local product must compete in the marketplace with a cheaper mainland product. However, because of its longer shelf life, the local product has a distinct advantage over imports. Unfortunately, both industry and government seem to market the product as if Newfoundland pork is the same as all pork, and that the price charged in the marketplace should be similar to that of the imported product. However, because of the higher costs of production, Newfoundland producers have not been able to compete on this basis. The Newfoundland industry must, therefore, compete for its market share on a different basis. To this end, the Task Force offers the following proposal for government and industry to follow in the immediate and long-range future. Long-range strategies can only be followed if the short-term strategy is pursued with aggressiveness, commitment and enthusiasm by all parties. The key lies in an aggressive marketing strategy promoting the Newfoundland SPF hog, based on freshness and quality. This strategy should be tried for a two-year period commencing April 1, 1991 and terminating March 31, 1993, at which time the future direction of commercial hog production in this province should be determined. It is the view of the Task Force that these strategies are well worth pursuing in the overall best interests of the agrifoods industries in this province. If the marketing strategies along with the other recommendations are successful, it is possible that price supports will not be necessary in the future, and that the industry can become self-sustaining.

The Task Force therefore recommends that

5. government, in consultation with the hog industry, undertake an immediate evaluation of the health status of Newfoundland hogs;
6. if hog health status is confirmed, government work with producers to identify current capacity to provide breeding stock, semen and related technology to the world market. In addition, government should develop and implement an aggressive marketing and promotion program in conjunction with the Newfoundland Hog Marketing Board to inform the international community of the special health status of Newfoundland hogs and their potential use as high-quality breeding stock.

Hog Processing Because NFPC operates the only federally inspected abattoir and meat-processing facility on the island, it has been solely responsible for slaughtering, processing and marketing in the commercial hog industry in Newfoundland. In the Task Force's view, despite many acknowledged constraints, the Crown corporation has not adequately fulfilled this role and must now be directed to pursue aggressively new strategy objectives. It must also be held accountable to government for the results. It is proposed, therefore, that NFPC, as a Crown agency, be utilized to the fullest extent for the slaughter and processing of commercial hogs, and

in addition, become the vehicle to develop and implement a new marketing strategy for Newfoundland pork products. As such, a serious commitment from both management and staff is required to ensure that the concept has a fair chance of succeeding.

To support these efforts, NFPC should be directed to pay, for a specific time, premium prices for live hogs from commercial producers and to recover these costs in the marketplace. The premium price would be subject to monthly amendments based on monthly reviews of the hog Cost of Production (COP). The price should be set at COP less 22¢ per kilogram (10¢ per pound). This premium price would be maintained from April 1, 1991 through to March 31, 1993, at which time market forces would determine the prices paid by the processor. Government should directly assist by providing adequate funds for consulting fees to assist the Corporation in developing a new marketing strategy and implementing an aggressive marketing and promotion campaign. Recognizing that a premium price to producers by NFPC initially puts the Corporation at a distinct disadvantage for cost recovery in the current market environment, the Task Force feels that this measure would perform the following critical functions:

- it would effectively break the bond between the industry and government's ineffective price-support program and build in a termination date for the temporary support measure;
- it would serve to stabilize the industry while it is in transition;
- it would hold NFPC accountable, thus providing the Corporation with an incentive to be more businesslike in pursuing market shares for its pork products and to be more creative in marketing; and
- it would allow for future processor prices to be driven by returns which could be achieved in the marketplace. If the new marketing and promotion strategy succeeds, obviously market returns would ensure adequate returns for both producers and processors.

The Task Force therefore recommends that

7. use of the current government price-support formula for the hog industry be terminated, effective March 31, 1991;
8. government, working jointly with industry and NFPC, initiate a new market-oriented strategy for the hog industry and provide adequate funds for consultancy fees to assist in the development and implementation of the new hog strategy; and
9. government provide stability through a renewed commitment to the hog industry over a two-year period, and NFPC be utilized to the fullest extent for the slaughter and processing of hogs. It should pay premium prices for live hogs and recover this cost in the marketplace.

The Role of the Swine Breeding Stations The Task Force recognizes the significant contribution made to the commercial hog industry by the Central and Western Swine Breeding Stations. The results described earlier in this report have been achieved through the dedicated efforts by staff,

often working under considerable constraints. The mandate of the Central Swine Breeding Station (CSBS) has been to improve the genetics of breeding herds, to supply purebred Landrace and Yorkshire gilts and boars to the multiplier breeder and to supply boars of the Newfoundland breed to all commercial producers. Additional tasks include training for hog farmers; providing weanling pigs for the general public, sold through various community and development associations; and providing technical advice to producers. The CSBS facilities have deteriorated significantly and require substantial capital to renovate. Estimates provided by the Agriculture Branch indicate approximately \$1.5 million is needed to rejuvenate this facility for another 30 years of service. There are also many operational inefficiencies, leading the Task Force to conclude that the role performed by CSBS, while an essential element of current hog production in this province, can be played more effectively by the private sector.

Although the CSBS should be closed, there will still be a need for monitoring and improving hog genetics. The Task Force suggests that this role be performed by the industry itself by transferring the breeding program to the private sector by selling the CSBS for a nominal fee, or by establishing a facility on an existing hog farm. In any case, the industry would be responsible for maintaining its own swine breeding operation but government should nevertheless provide some financial and technical assistance with genetic improvements and purebred supplies. This support should only be given if by 1992 it is clear that the hog industry can be viable and self-sustaining. Government assistance should then be limited to start-up costs and should be for a fixed time. It would thus be necessary to establish a government-industry committee to oversee the closure of the CSBS and the transfer of its services to the private sector.

The Western Swine Breeding Station (WSBS) located at Pynn's Brook was established in the mid-1970s in response to an expanding hog industry. Additional facilities were required to produce hybrid gilts for commercial operations on the West Coast of Newfoundland. Late in 1975 a small nucleus breeding group was transferred from the CSBS to the WSBS. The plan was to use this facility eventually as a multiplier operation if the demand for breeding stock warranted such use. However, the industry did not expand as projected. At the present time, it serves as the province's Artificial Insemination Centre for hogs. All new genetic material coming into the province in the form of semen undergoes testing at the WSBS. The progeny thereby produced are evaluated for performance and health with the best selected for breeding stock in the main breeding herd at the CSBS.

The Task Force suggests that government retain responsibility for the activities of the WSBS to ensure that proper controls and monitoring are undertaken to maintain the health status of the province's hogs. It must also be incumbent on government to ensure that only the best genetic material is passed on to the commercial herds. Therefore, the Task Force suggests that the WSBS be retained and operated as an artificial insemination unit and research facility for the hog industry. Thus, the WSBS would be a centre for artificial insemination and genetic monitoring which would provide superior stock for the commercial breeding program at the privately run CSBS or alternative facility. Furthermore, it is suggested that a well-qualified swine specialist should be retained on a two-year contract (April 1, 1991 - March 31, 1993) to serve the industry during transition. Continuing need for this position will be determined by government in consultation with the industry.

Producers themselves must assume a more direct involvement in the province's swine breeding program. A mechanism must be developed to ensure appropriate information exchange, regular feedback and interaction among producers, Artificial Insemination unit staff, and staff at the province's multiplier operation. Producer participation in breeding trials, feeding trials and the like should be encouraged.

The Task Force therefore recommends that

10. the CSBS be closed as a government operation, effective March 31, 1992; its services should be provided by a commercial hog producer who would receive government support for non-recoverable costs associated with genetics improvement and purebred supplies to multiplier operations;
11. government establish a departmental committee to consult with all those affected, to oversee the orderly closure of the facility, and to ensure the smooth transition to a commercial producer-operated facility;
12. the WSBS be retained and operated by government as an artificial insemination unit and research facility;
13. government hire, on a two-year contract, a highly qualified swine specialist to serve the industry during this transition period; and
14. the Agriculture Branch develop a program which will ensure the greater involvement of hog producers in the breeding program, breeding trials, feeding trials and market development strategies.

The Role of Industry The producers must play a key role in pursuing a new strategy for the development of the hog industry in the province. A new strategy can only be successfully implemented through a committed, co-operative effort by all interest groups. Producers should be prepared to participate in various planning and implementation work groups. There must be industry acceptance of the temporary price stabilization measures. Co-operation is required with the processor (NFPC) to more effectively co-ordinate production with processing schedules. Improvements must be made to on-farm management to ensure maximum efficiency in production is achieved. Farmers must actively pursue acquisition of new technology and be innovative in their management techniques. In addition, farmers should be prepared to participate in on-farm feeding trials to maximize feed efficiency and/or experiment with new feeds developed to supplement or replace western grains. Later in this chapter, the issue of feeds, which account for 60% of the cost of production in the hog industry, is discussed. Industry, through its producer organization, the Newfoundland Hog Marketing Board, should play a more aggressive role in marketing and promoting local pork products. A committed effort on the part of government, the processor and producers could lead to a viable hog industry in spite of the many constraints mentioned earlier. Indeed, if any element of the Task Force's proposed strategy breaks down through lack of commitment from either government or industry, the commercial hog industry in this province will ultimately fail. If the proposed strategy proves to be unsuccessful in

revitalizing the hog industry in this province, then producers should be prepared to participate co-operatively in an orderly close-out of commercial hog production as we know it today.

In the meantime, to ensure that producers of this province receive a level of support equal to that received by other hog farmers across the country, the Task Force strongly urges that the Agriculture Branch aggressively pursue the province's enrolment in the National Tripartite Program, a national stabilization plan. This would see support shared equally by industry, the federal government and the provincial government, as is done elsewhere in the country.

The Task Force therefore recommends that

15. government include hog producers on various planning and implementation work groups associated with pursuing new strategies for the hog industry;
16. government, through NFPC and in consultation with industry representatives, better co-ordinate hog production and NFPC processing schedules;
17. government, working jointly with the Hog Marketing Board, actively pursue acquisition of new technology and management techniques by the province's hog producers;
18. government support research on hog feeds with a view towards maximizing feed efficiency, and to find suitable supplements to, or replacements for, western grains;
19. the Hog Marketing Board take a more progressive and aggressive role in the actual marketing and promotion of local pork products; and
20. government and industry pursue the enrolment of Newfoundland hog producers in the National Tripartite Program.

Independent Hog Producers The preceding discussion of the commercial hog industry concerns only those producers who market their hogs through NFPC. Also very active in Newfoundland are a number of smaller-scale, independent hog producers who have survived thus far with little or no support from government. These producers market a total of between 3,000 and 4,000 hogs annually, mostly door to door or for the freezer trade. One notable producer, mentioned earlier, markets a fair share of his hogs through the retail food stores in Central Newfoundland. To date, because the hog subsidy program has been interpreted to apply only to hogs marketed through NFPC, these independent producers have been ineligible for government support. Consequently, profits are marginal at best and often the smaller farming enterprises fold because of the losses sustained.

There may be opportunities to expand the number of small-scale operations in the province, and indeed, if the proposal presented here for the larger-scale operations is adopted and is successful, there will also be opportunities for existing smaller enterprises to increase production. In any event, it is in the best interest of the province's overall rural development strategy to encourage such small-scale enterprises as an integral part of communities' employment development plans. One brief submitted to the Task Force suggested that government direct more attention to producing hogs principally for the weanling market. In addition to the small-scale

grower enterprises described, individuals, groups or even communities could then purchase and grow hogs for local consumption, utilizing locally available feedstuffs. This proposal is worthy of further study and consideration. The Agriculture Branch, in consultation with staff of the Western Swine Breeding Station, should thus develop a detailed proposal for the development of a feeding program for hogs, using a wide range of locally available feedstuffs. Such encouragement will enable existing farm enterprises to diversify and small-scale operations to continue. Production may then be able to expand to the point that market hogs can meet existing levels of demand.

The existing hog industry, then, should be given time to show that it can operate without the large subsidies now paid out each year. This time should be used to evaluate the industry's potentials and to develop new markets and opportunities. The Task Force believes that, with co-operation and some continuing support from government, the skills and enthusiasm of the province's hog producers can turn the industry into a highly professional and viable enterprise.

The Broiler-Chicken Industry

The broiler-chicken industry in Newfoundland is only two decades old but it is already a major economic contributor to the agrifoods sector. Today, there are 20 farms, ten in eastern and ten in western Newfoundland producing approximately 9 million kilograms (live weight) of broiler chickens. Compared to the Canadian average, the province's broiler-chicken farms are large, with flock averages of 60,000 and 48,000 for eastern and western Newfoundland, respectively. Farm cash receipts for broiler production amounted to over \$12 million in 1989, while sales of chicken products by NFPC were over \$17 million. Production has doubled since Newfoundland joined the Canadian Chicken Marketing Agency (CCMA) in 1981.

The CCMA controls the production of broiler chickens through its national supply management scheme. It allocates production quotas to each province, which in turn allocates quotas to individual farmers. The province's producers have been permitted increased quotas above current annual production levels, but because of the inability of NFPC to process additional quantities, the province (through the Newfoundland Chicken Marketing Board) had to turn back the additional quota to the national agency for each quarter in 1990. The current quota is approximately 7.3 million kilograms (eviscerated weight) which accounts for less than 50% of the total chickens marketed in Newfoundland. Extra quota production will take some time to achieve.

Newfoundland broiler-chicken production is lowest when demand for chicken products is highest, during June and July. Weekly production has been reduced by 20% for three consecutive weeks in June and July each year to accommodate holiday schedules of NFPC employees. The existing broiler-chicken industry infrastructure can produce more chickens but NFPC cannot process them with its present facilities, equipment and operational constraints. Industry representatives advise that production could be increased as much as 25% with proper use of existing barn capacity. Furthermore — partly because of low-volume throughput — NFPC cannot consistently supply the required size of birds to meet particular market demands.

The broiler-chicken industry appeared to be in jeopardy during the mid-nineteen eighties when production costs (mainly feed and chick costs) were over 20¢ per kilogram higher than prices being paid to producers. Government responded to the situation by setting a price paid by NFPC of 10¢ per kilogram over the Nova Scotia price, and a formula to pay 75% of the difference between NFPC price and the Newfoundland COP. Newfoundland broiler-chicken cost of production is the highest in Canada, the major factors being feed and chick costs. Other cost components are equal to or less than in the rest of Atlantic Canada. A major concern of the Task Force is the high level of government support, through both the price subsidy program for producers and the operating grants to NFPC by the provincial government. In 1989, producers received over \$1 million in price supports from government, while NFPC losses associated with chicken processing amounted to approximately \$3.5 million. This level of support is inconsistent with the basic principles of viability and competitiveness recommended by this Task Force. The broiler-chicken industry in Newfoundland must be weaned from both government support and constraints and allowed to restructure itself to become more market-oriented. To correct this situation, a planned program of subsidy reduction to the broiler-chicken industry is required.

A Plan for Subsidy Reduction In a brief presented to the Task Force, the Newfoundland and Labrador Federation of Agriculture indicated the national trend towards a more market-driven agrifoods economy. Although what constitutes a subsidy has not yet been agreed upon as it applies to either the Canada-United States Trade Agreement or the General Agreement on Tariffs and Trade, the Federation stated that it is reasonable to assume that some of the commodity-specific programs will be declared subsidies and this will cause Newfoundland products to be countervailable.

While the rationale for aiming for a self-sustaining agrifoods industry should not be dictated by international trade agreements, the fact cannot be ignored that the Newfoundland industry is affected by them.

Current cash subsidy levels in the Newfoundland broiler-chicken industry appear to have created an environment which acts as a deterrent, or at the very least, tends to lessen the need for intensive on-farm production improvement or investment in new equipment and/or technology. In one sense, the current subsidy virtually ensures a guaranteed profit, based on rising costs of production. There is no apparent incentive to lower costs of production since the subsidy program is directly linked to production costs. The importance and positive impact that government subsidies have had on development, expansion and stability of Newfoundland's broiler industry is fully recognized. The Task Force also agrees with the Federation of Agriculture that although subsidies must be eliminated where possible, this must be done very carefully. The Task Force has taken this caution into consideration in its deliberations and therefore proposes a scheduled reduction in direct subsidies to the broiler-chicken industry, to be implemented over a four-year period beginning October 1, 1991.

This subsidy should be gradually eliminated by a scheduled reduction in the maximum subsidy payable (currently 25¢ per kilogram) in increments of 5¢ per kilogram per year. The first reduction of 5¢ per kilogram is recommended to take effect on October 1, 1991 (maximum 20¢

per kilogram). Thereafter, the maximum subsidy payable will be scheduled for reduction as follows: October 1, 1992 (maximum will be 15¢ per kilogram), October 1, 1993 (10¢ per kilogram), October 1, 1994 (5¢ per kilogram), and on October 1, 1995 the current subsidy program is scheduled to end. During this period, government should work closely with producers, processors, feed companies and chick suppliers towards achieving a self-sustaining broiler-chicken industry in Newfoundland by following the strategies recommended throughout this report.

The time has come when all parties with a vested interest in the dynamic broiler-chicken industry of this province must look inward towards more cost-effective operations. It is only with co-operation and commitment from producers, processors, feed suppliers and chick suppliers that the Newfoundland broiler-chicken industry will grow to reach its potential to benefit everyone involved. In the interim, while the industry is in transition, government will continue its support by paying a premium price of 10¢ per kilogram over Nova Scotia-priced chicken (difference in transportation costs) through NFPC.

To support a dynamic broiler-chicken industry, it is necessary that the industry be serviced by a veterinarian with specific training in poultry pathology. It is interesting to note that only a few years ago, government was willing to share costs with industry and hire such a person; however, one of the industries involved withdrew its commitment and as a result, the position was never created. The Task Force strongly supports the need for such a poultry specialist and believes that the costs should be shared equally among government, broiler-chicken and egg producers and the feed mills. These measures, combined with a plan to develop a new, modern processing facility (to be outlined later in this report), as well as recommended improvements to other areas of the industry, are expected to lead the broiler-chicken industry into a period of growth and vitality through the 1990s and into the next century. Broiler-chicken production has developed into a vibrant industry in which there is much potential and opportunity for further expansion. Development of secondary processing of chicken products, limited by imagination only, offers exciting possibilities for the future.

The Task Force therefore recommends that

21. government promote increased market orientation of the broiler-chicken industry through a planned program of subsidy reduction to be implemented over a four-year period commencing October 1, 1991;
22. NFPC continue to pay the premium price for chicken (10¢ per kilogram over the Nova Scotia price) and recover this cost in the marketplace;
23. the Chicken Marketing Board develop a more proactive role in the actual marketing and promotion of chicken products; and
24. government hire a veterinarian with specific training in poultry pathology to service the Newfoundland broiler-chicken, turkey and egg-producing industries, subject to equal cost sharing with producers and the feed industry.

Broiler-Chicken Quotas Special consideration must be given to increasing Newfoundland broiler-chicken quota allocations from CCMA. While recognizing that mainland producers have usually marketed some of their products in the Newfoundland marketplace, it must be taken into consideration that the Newfoundland producers have been unable to expand to meet local market demands because of processing restraints placed on them by the government-owned and -operated slaughtering facility, NFPC.

The Newfoundland Chicken Marketing Board must work towards an understanding with the CCMA that will allow Newfoundland producers to obtain sufficient quotas to make its industry economically viable. This can occur if existing barn capacity is fully utilized and new quotas are allocated to meet processing throughput requirements of the new processing facility as outlined later in this report. Production can be increased by about 25% over current levels simply by fully utilizing existing barn capacity. Use of existing capacity will lower capital costs of producing additional quotas, thereby lowering the costs of production while at the same time increasing the returns to existing producers. Elsewhere in this report, a way is outlined for NFPC to process additional quota, utilizing its existing facilities. New entrants should be permitted into the industry when a reasonable flock quota is available to make a viable operation. The Agriculture Branch should assist the Chicken Marketing Board in determining the minimum flock quota required to create a viable broiler enterprise in Newfoundland. While there may be a perception that current producers have cornered broiler-chicken production for Newfoundland, it is nevertheless crucial, that the existing infrastructure be put to optimal use.

The Task Force therefore recommends that

25. the Newfoundland Chicken Marketing Board seek a higher broiler-chicken quota through the CCMA to utilize fully existing barn capacity in Newfoundland; and
26. government direct NFPC to adjust its work schedules to accommodate any increase in quota allocations.

Chick Supply In the early 1970s, the broiler industry was supplied with chicks from Quebec and Ontario hatcheries, mostly by air shipments; chicks were then trucked in from Atlantic Canada until 1981 when a chick hatchery was re-opened in Newfoundland. Most chicks now supplied to the industry (over 6 million a year) are hatched at Island Chick Hatchery in Blaketown, though some chicks are still trucked or flown in to supplement short supply hatches. The Task Force views chick costs as one area where production costs must be lowered. Producers in Newfoundland currently pay 10¢ per broiler chick more than their Nova Scotia counterparts, mainly because of transportation costs. At 10¢ per bird, with over six million birds supplied annually, the extra cost of transportation alone is in the order of \$600,000 per year.

This cost is excessively high. The Task Force has considered this issue and suggests that savings may be possible in the chick supply system. Areas such as transportation efficiency should be examined. The overproduction and subsequent destruction of excess chicks as a method for ensuring no hatching shortfalls needs to be closely reviewed. The source of hatchery eggs (by breeder barn) should be made available to producers as a means of quick identification of possible

chick disease or low-quality birds. In addition, the Task Force suggests that to ensure the long-term viability of the industry, to reduce chick costs and to maximize the economic benefit of the industry to the province, the industry must aim towards the establishment of a Newfoundland broiler breeder flock to supply hatching eggs to the local hatchery. It is suggested that such a facility should be supplying the needs of the Newfoundland broiler industry by the year 1996. Should a broiler breeder operation be established, the needed expertise (a broiler breeder management specialist) should be contracted. In addition, because of the long-term commitment of Island Chicks Ltd. of New Brunswick to the broiler industry in this province, they should be given every opportunity to participate actively as consultants or in a direct business involvement in this process.

The Task Force therefore recommends that

27. government, through the Economic Recovery Commission, with appropriate agricultural expertise, and in consultation with producers and Island Chicks executive, initiate a process to determine the economic viability of a Newfoundland breeder flock with the objective of establishing a breeder flock facility in the vicinity of the Blaketown hatchery.

Catching Another area where improvements are possible is in catching and transporting live broilers, where broilers are taken from the producing barns and transported to the slaughtering/processing facilities of NFPC. The producers directly employ catching crews to remove birds from their barns. It is reported that members of such catching crews are often unemployment insurance and/or social welfare recipients who supplement their incomes with this type of work. Untrained catchers cause significant damage to birds, which results in partial or entire carcass condemnation. This is very costly to the producer. The Task Force recognizes that most of these workers are good at their job. However, to ensure reliability, dependability and availability of properly trained persons to do this work consistently, this component of the industry can be improved by contracting so that it is provided in a more acceptable manner to industry. Government should encourage broiler producers, through the Chicken Marketing Board, to develop guidelines to contract to professionally trained people, catching services for the industry. To ensure minimal damage to birds, strict guidelines must be developed for the contractor to follow. The industry can probably support full-time crews in eastern and western Newfoundland. Also of concern is that the current practice of placing crates in barns during catching could lead to the transmission of disease from barn to barn.²² With this process, NFPC also incurs significant crate damage which adds to their operating losses. NFPC, in consultation with producers, should review the current practice of placing crates in barns during catching.

The Egg Industry

²² In some jurisdictions, birds are carried from the barns and placed in crates already on the truck, instead of being placed in crates inside the barn.

The modern egg industry in Newfoundland and Labrador dates from the establishment of the Newfoundland Egg Marketing Board (NEMB) in 1971. Until this time, the industry was not organized and subject to fluctuations in supply, price and quality. For the first two years, the NEMB operated without production quotas; it focused on stabilizing prices through its power to set producer prices at the wholesale and retail levels. In 1972, however, prices became unrealistically low because of a surplus of eggs. A combination of such low prices, producers' disregard for NEMB rules and their refusal to pay Board levies, threw the industry into turmoil. In 1973, following the recommendations of a Commission of Enquiry into the Newfoundland Egg Industry, the province joined the National Egg Marketing Plan. The Canadian Egg Marketing Agency (CEMA), which administers the plan, has authority over interprovincial and export trade in eggs and the power to manage prices and provincial production surpluses.

Supply management under this plan has brought cohesion and stability to provincial egg boards and producers across Canada. The key element in egg supply management is the setting of provincial quotas at the national level and, in turn, the dispersal of those quotas to producers by provincial boards. The establishment of quotas and handling surpluses, and the pricing of eggs by using COP studies, have brought relative stability to the industry.

With the absence of government subsidies, the industry has shown that it has been able to take control of its own affairs. However, in the late 1980s, egg consumption dropped when consumers' lifestyles and eating habits began to change. Large breakfasts consisting of eggs were replaced by foods which reportedly do not contain as much cholesterol. This, coupled with a higher rate of lay per bird, has resulted in a tremendous over-supply of eggs and hardships for the producers. Despite the relative efficiency of the Surplus Removal Program, where CEMA can lift surplus eggs from a province at set prices, many smaller producers were unable to cope with the prices they were paid; they either returned their quota to the Board or sold out to larger producers. The number of egg producers who hold quota has declined in the last 20 years, from 70 to 31. Those remaining are the most efficient egg producers in the industry. In 1989, over 2.5 million eggs were removed from Newfoundland and Labrador by CEMA, over 25% of the total provincial production of 9 million dozen eggs. To make matters worse, there is no industrial demand in the province for eggs.

The egg industries in other provinces have suffered in a similar way to the extent that CEMA has instituted global quota cuts in an attempt to bring production back in line with egg demand. Quota cuts in the last two years have resulted in a total reduction of over 27,000 hens in the province and the provincial flock size has remained at just over 400,000. Furthermore, CEMA's voluntary fowl removal program in 1989 and 1990 offered producers cash payments to send their flocks to slaughter earlier than normal. This process increased producers' down time, but it lessened the number of eggs available as surplus.

This over-production and declining-consumption problem is expected to continue through the 1990s. In its brief to the Task Force, the NEMB stated that it is bracing itself for further consumption decreases, which may result in industry over-production of as much as 40%. Therefore, the industry will experience significant difficulties in the next decade, even though it has shown itself to be efficient, relatively free of government subsidies and able to produce a

commodity which is reasonably priced. Finding industrial uses for surplus eggs may help to ease the present situation.

Contributing further to the problem of over-supply has been unregulated egg production. At present, persons who keep fewer than 500 laying hens are not regulated. Persons who have 500 or more laying hens without holding quota are also a problem since their unregulated and illegal production significantly increases the supply of eggs at the retail level, competing directly with legal producers.

There are a number of ways that government, in consultation with egg producers, can deal with the problem of over-production.²³ All unregulated production could be monitored to determine the impact on the industry. The Agriculture Branch should undertake a survey to determine the extent and locations of all legal and illegal unregulated egg production. Legal producers (up to 499 layers) currently operating should be allowed to continue to increase their flocks to the maximum permitted within a reasonable time frame, but all future non-regulated egg producers should be limited to 100 layers. All illegal egg operators currently operating for a period of three years or more, including families or groups who individually own 499 birds but have them in a common building to create a flock of a few thousand or more, should be given the option to become members of the regulating agency and be required to pay agency fees and conform with Board regulations. If they do not comply, they should be ordered closed immediately. All other illegal producers should also be closed immediately in accordance with existing legislation.

The provincial Egg Marketing Board should participate with the national agency in reducing quotas to appropriate levels by means of a flock or partial flock buy-out scheme for Newfoundland producers. Alternate uses should be found for surplus eggs within the province instead of shipping them to Ontario or Quebec for processing. One local person has expressed interest in selling egg powder overseas. As well, the Task Force suggests that government encourage the Food Science and Nutrition programs at Memorial University, with appropriate funding, to find alternate uses for eggs. The Egg Marketing Board should take a lead role in developing some innovative marketing concepts with the objective of increasing local consumption.

Another problem with the province's layer operations is dealing with the manure wastes from layer barns, particularly in the winter months when spreading manure on frozen fields is not permitted. In addition, there are growing complaints from non-farmers regarding the odour associated with spreading raw manure during summer. One local farmer is offering a possible solution to this age-old problem by seeking funding to assist with the start-up of a manure composting system. This system would compost raw manure into a relatively odour-free, easy-to-handle, and effective fertilizer. This fertilizer could then be stored, bagged, spread in bulk or sold in retail outlets for home gardening and golf courses. In the meanwhile, efforts should be made by both industry and government, through the Economic Recovery Commission, to identify

²³ Egg producers suggest that the maximum number of unregulated layers permitted (499) should be reduced (to 100, for example) to be consistent with regulations elsewhere.

animal waste (especially manure) uses. These wastes, for example, could be combined with peat for soil fertility enhancement. Such endeavours could be carried out either on-farm or in a regional production facility.

The Task Force therefore recommends that

28. government consult with the Egg Marketing Board to develop a plan for monitoring all unregulated egg production in the province;
29. government enact legislation to ensure that all legal, but unregulated, producers (up to 499 layers) currently operating, be allowed to increase their flock over a specific time-frame to the maximum permitted, but that all future legal unregulated flocks be limited to a maximum of 100 layers;
30. the provincial Egg Marketing Board participate with the national agency in reducing quotas by flock or partial flock buy-out for Newfoundland;
31. the Egg Marketing Board take a lead role in developing innovative marketing concepts for local egg production;
32. government strongly support and encourage, through current or future cost-shared agreements, the technological development of manure composting by Newfoundland farmers; and
33. government, through the ERC, take immediate steps to investigate the feasibility of establishing an experimental facility utilizing poultry manure and other animal and fish wastes as local soil conditioners.

Livestock and Poultry Feeds

Without a doubt, the single most prohibitive factor to a viable and competitive livestock and poultry industry in this province is the high cost of feed. The feed component accounts for 60% of the cost of production in growing a pig to market size and 50% of the cost of producing a broiler chicken. There are those who advocate that any investment in grain-converter agrifoods industries (hogs, broiler chickens and layers) which rely on costly imported western grains, is a poor investment. Such arguments have some validity and much improvement is needed in the feed component to allow the livestock industries in this province a fair chance to compete. There are a number of areas in the feed component in which the Task Force feels improvements can be made and subsequently, the cost of production lowered.

Improvements can be made to the current Feed Freight Assistance (FFA) Program whereby the federal government subsidizes the cost of transporting feed grains from western Canada to the eastern provinces. For some time this program has not been meeting its intended objective of equalizing feed costs to the grain-deficient areas of Canada, nor has it kept pace with inflating transportation costs. The current cap of \$50 per tonne also puts Newfoundland and Labrador at a distinct disadvantage, even with the rest of Atlantic Canada, and current zoning restrictions leave portions of Newfoundland at a further disadvantage. It is also important that protein

supplements be included in the FFA program for the province. It is thus imperative that the provincial government work to maintain and improve the current FFA program.

Concern has been expressed over the lack of competition in the feeds industry, particularly in the eastern regions of the province where there is only one feed mill, giving it virtually a monopoly to supply feed to local hog, chicken and egg producers. Producers should consider the feasibility of setting up their own feed mill to supply a portion of the industry. To protect the local livestock industries in the event of labour, technical or supply problems with the existing mill, the producer agencies should negotiate a contingency feed source plan with an offshore supplier to minimize or eliminate potential disruption to production. Much can be done in the way of research to substitute Western grains with locally grown feed products, such as sweet lupins, naked (hull-less) oats and full-fat canola. The livestock producers also require the services of professional feed analysis to ensure that they are being supplied with the most cost-efficient diets and feeding programs, particularly since there have been recent complaints concerning feed quality.

There might also be opportunity for overall feed-cost savings if this province were to have a public grain storage facility where lower-cost bulk grain shipments could be stored and accessed by the local commercial feed mill, producer-owned mills, or smaller, on-farm mills. The Task Force strongly suggests that maximum use be made of all livestock offal in the local rendering plant and that the meat meal produced from this plant along with any other feedstuffs (fish meal, seal meal, etc.) available in Newfoundland be used to the maximum extent in locally manufactured feeds. It is in the best economic interests of the province to ensure that to the fullest extent, all livestock industry by-products, including manures, are utilized for further processing, such as for feed protein supplements and organic-based fertilizers. The production of other feeds, such as local hay and forages for the dairy, beef and sheep industries, should be expanded through federal/provincial cost-shared funding arrangements (such as the proposed renewal of the Atlantic Livestock Feed Initiative Agreement) to displace imports.

The Task Force therefore recommends that

34. government vigorously pursue the continuance of and improvements to the current Feed Freight Assistance Program, and in particular, seek the co-operation of the federal government to address the following concerns:
 - the current cap of \$50 per tonne,
 - current zoning structure for Newfoundland and Labrador,
 - alternate methods of FFA compensation,
 - inclusion of protein supplements as eligible for transportation assistance,
 - alternate offshore grain sources,
 - utilizing less-costly foreign-registered ships; and
35. government conduct a study to determine the feasibility of establishing a public grain storage facility for Newfoundland.

The Role of Regional Pastures

Crucial to the development, maintenance, and expansion of the animal industries in Newfoundland and Labrador is the function of regional pastures. The regional pasture system (previously known as community pastures) was created in the province for two reasons: to provide pasture for livestock producers while they were developing their own land base, thus supporting developing industries such as dairy, sheep and beef production, and to create employment in rural Newfoundland and Labrador. This system developed through direct government management and with almost complete subsidization of maintenance and operation costs. This strategy created the feeling across the province that responsibility for the pastures belonged to the government. When government withdrew from direct management and private operators were asked to manage the pastures with minimal subsidization from 1979 onward, most of the pastures quickly deteriorated.

Funding was not the sole reason for the deterioration of the pastures. Also contributing was the transferring of responsibility for the pastures to people without vested interest in one of the livestock industries or, at least an interest in the agricultural sector generally. Another reason was the way in which money raised for the maintenance of each pasture was spent. In an ideal world, the present subsidy of \$55 for each animal unit pastured the previous year plus the per-head fee would be sufficient to fund the purchase of fertilizer and limestone, the application of which is required annually to maintain fertility and pH levels.²⁴ In many cases, though, the pastures seem to be receiving little or no fertilizer or limestone annually. This is partially attributable to a lack of policy with respect to the regional pastures and the specific role they are to fulfil in the agricultural sector. A regional pasture policy must ensure that producers are encouraged to develop private pastureland. In the short term, this will lead to phasing out government assistance for the maintenance of regional pastures. Better utilization of and increased productivity on already developed pastures must also be achieved.

Many of the existing regional pastures were established because of political pressure by local groups and the availability of federal money in the early 1960s to fence land for community pastures. Relatively few were established in areas with an identified potential for livestock development. The limited information the Task Force has been able to garner indicates that only very small beef-producer operations may be using some of the regional pastures. In some areas of the province there are several pastures in close proximity to each other; these could be combined into a larger management unit. These situations raise the issues of closing pastures in areas where there is no apparent potential for development of a livestock industry and the amalgamation of pastures in areas where there are several that are close to each other. To be considered is how livestock producers with small herds/flocks contribute to the livestock industry, and whether they should benefit from government programs designed for larger-scale farming enterprises.

²⁴ In addition to maintaining a healthy sward of grass and legume, this fee is also meant to provide for the purchase of materials for routine fence maintenance and gasoline for a farm tractor.

The regional pastures around the province, with few exceptions, have seriously deteriorated since they were turned over to private management in 1979. Under the present structure of funding and management, they will continue to deteriorate and animals grazing on them cannot be expected to perform as well as animals grazing on pastureland in top condition. This raises a series of issues regarding restoring the regional pastures to top condition: how best to ensure that they remain so in the future; how best to structure any future financial support for maintenance of the pastures; how long maintenance support should last. A related issue is the perception by some livestock owners that present pasture fees, not to mention an increase in fees, make it uneconomical for them to put their animals on the pastures. Many of the regional pastures contain large tracts of undeveloped land that remain inaccessible to commercial farming entrepreneurs. If this land is not needed for expansion of the pasture, it should be released from the control of the pasture managers and made available to commercial farming entrepreneurs.

Equipment released to pasture operators in 1979 and used in the maintenance of the regional pastures is quite old and in many instances may need to be replaced. At the same time agricultural operators are encouraged to use bulk limestone as an economy measure. This creates the need for specialized equipment such as bulk limestone spreaders. Renovation of the province's regional pastures would require the assembly of equipment specific to the job, as well as enough equipment to make the process efficient.

When government operated the regional pastures there was a comprehensive bull herd maintenance program to improve the quality of beef animals in the province. Since the privatization of regional pasture operation, the breeding stock used by beef producers has declined considerably, and is genetically inferior in most cases, resulting in poor growth and quality of Newfoundland beef animals. Agriculture Canada provides up to \$1,000 toward the purchase of performance-tested bulls and the Agriculture Branch has a similar program that provides up to \$300. The elimination of this overlap in assistance could allow the Agriculture Branch to concentrate on other measures to assist the development of the beef industry.

One of the great strengths of Newfoundland agriculture is the ability to produce high quality forage. This is demonstrated by the success that conserved forage production is attaining through the support and encouragement of the Canada-Newfoundland Atlantic Livestock Feed Initiative (ALFI). The potential for fresh forage production on pastureland is just as great and should be viewed as complementary to conserved forage production. It is important that government support for pasture development be based on well thought out and clearly defined principles so that no continuing subsidies are created. If New Zealanders can raise 70 million sheep, eight million cattle, one million deer and one million goats, without grain supplements, on 15 million hectares of pastureland, then producers in Newfoundland should be able to produce considerably more beef, sheep and goats than they do now. Renovation and adoption of intensive pasture management practices would likely make pastures more productive and allow the harvest of hay from pastureland. Provision should be made for at least a part-time forage/pasture specialist position to do applied research and provide demonstrations of forage and pasture management strategies and techniques applicable to Newfoundland. In addition, government should use the regional pastures as demonstration areas for farmers interested in forage land renovation

techniques that are economical and suitable to their area of the province, and to demonstrate proper management practices for sustaining good pastureland.

The operation of a large number of pastures in Newfoundland, as compared to Nova Scotia where there are only eight community pastures in operation, reduces the resources available to each one. Government should review each regional pasture in detail to determine how well each one fits in with an overall policy of supporting the developing livestock industries in Newfoundland. This review should consider the number of livestock owners using the pasture, the size of their herds/flocks, the suitability of the land base for good pasture and the general potential for forage development in the region. Future support for the sheep, goat and beef industries should not be limited to producers with large herds but might include a large number of small producers in an area. Any pastures identified as not fitting the role of supporting the livestock industry in the region should be closed. If government does not wish to close regional pastures that fulfil a social support role, rather than an agricultural support role, then a broader policy objective, one that cannot be confused with support for a viable and competitive livestock industry, should be sought to justify continued financial support for these other pastures. As part of the detailed review suggested, in areas of the province where it becomes apparent that relatively small numbers of animals on several pastures could be provided with better pastureland if brought together in one larger area, government should consider the possibility of combining several pastures into a larger one.

Many regional pastures across the province provide a vital service for the livestock industries, and the review referred to above should indicate which pastures fall into this category. However, many of the pastures which were in top condition when they were managed by government have deteriorated through lack of management, lack of funds, or the lack of both. If they are to continue to play a role in supporting sheep, beef cattle and, perhaps, dairy cattle and goats, the restoration of some pastures is essential.

Government has spent considerable funds on regional pastures over the last two decades and continues to do so through its \$55 per animal unit payment to pasture operators.²⁵ Yet, it may be worthwhile for government to provide modest levels of financial assistance over the next few years so that certain pastures can be upgraded to top condition. This would allow fences to be built to protect livestock, allow the provision of basic services, such as electricity, and facilitate the expansion of pastures where demand exceeds the available land base. Levels of assistance to individual pasture operators should be made available based on total upgrading needs through a formula which takes into account the land base of the pasture and the number of animal units using, or expected to use, the land. To qualify for assistance, pasture operators would need to demonstrate that they are utilizing established pasture management practices. This program would complement the development of pasture lands on private farms and would require that the regional pastures be operated as private sector enterprises. Thus, the renovation program should be available only to those pastures which can become self-sustaining.

²⁵ The number of sheep that determine an animal unit for calculation of operating grants under the present system should be reviewed. A number of commercial farmers raised concerns that the number of sheep that determines an animal unit is too high.

Government should require incorporated groups of livestock producers, registered co-operatives or other recognized bodies deemed responsible for pasture operations, to submit five-year plans for pastures under their care. As part of this plan, the operators, in co-operation with the Agriculture Branch, should be required to specify minimum user fees. The fees should reflect the costs of maintaining the pastures, including material and labour costs, and the fee levels should be reviewed annually. There may be cases where pastures are managed by groups of producers who contribute to pasture upgrading and maintenance by providing their own labour or materials. In cases such as this, the minimum fees for those producers may be reduced or waived, as long as there are sufficient funds remaining to maintain the pasture in top condition.

While the Task Force discourages the use of government funds for the maintenance of regional pastures, the current payment of \$55 per animal unit should be retained over the short term. An evaluation of the benefits of pasture upgrading and maintenance should be undertaken after five years and the regional pasture assistance program terminated if stated objectives are not being fulfilled. Should the program prove beneficial, it might be continued for either another five years, or until remaining pastures have been upgraded to peak condition, whichever comes first. That is, the current assistance program should be in place for no more than ten years and then should cease, except for discretionary funding through, for example, the cost-shared agreements.

The government's regional pasture assistance program could be used not only for pasture upgrading, but also for promoting the more widespread commercial use of these pastures. For example, *bona fide* enterprises which have an inadequate land base of their own, particularly new entrants to the livestock industries, could be offered rebates, or reduced fees, for using regional pastures. The rebates, or fee reductions, could be financed through a combination of the current pasture assistance payments and higher overall user fees so that individual pasture operators do not lose revenue and that all commercial livestock producers have access to high-quality pastures.

The rebates, or reduced fees, should amount to no more than the \$55 per animal unit payment provided by government to pasture operators and they should be established on a sliding scale for each producer for a period not exceeding five years. Thus, each year, the fees paid would increase so that after five years, the rate charged would be the same as that for the pasture's regular clientele. Patrons who do not run *bona fide* enterprises or who choose to use pastures rather than grazing lands that they own, would be expected to pay the full fee for the services provided. The end result should be that regional pasture patronage increases, pasture operators accrue the revenues needed to upgrade and maintain the land, and that commercial producers, primarily new entrants, can graze their animals on regional pastures, at least until they can develop their own land base.

The provisions of the province's regional pasture assistance program should also be extended to independent producers who wish to rent out their pastureland, on the same conditions and within the same ten-year time frame allowed regional pasture operators. However, these independent pasture operators should be registered with the Agriculture Branch and they, too, would need to demonstrate that they are following established pasture management practices. It is not recommended that government's pasture renovation program be extended to private operators, except in exceptional circumstances.

Pastures should be classified as 1, 2 or 3, depending on forage and soil analysis and the Agriculture Branch should be responsible for conducting a survey to determine class of pastures based on measurable parameters. Minimum fees for use of regional pastures could be set on a sliding scale tied to pasture productivity. Class 1 pastures should be those that have attained maximum productivity and thus would charge the highest fees for use in order to maintain their high productivity. As an aid to development of the above five-year plan requirement, the Agriculture Branch should develop a set of guidelines outlining good pasture management practices. Government should also ensure that uniform animal health regulations would be in effect at each of the regional pastures. The Agriculture Branch should develop an information package and conduct regional demonstrations to illustrate the benefits of pastures being maintained in top condition. Until such time as there is a stable group of well-informed pasture managers for the regional pastures, government should sponsor yearly meetings of pasture managers for the purposes of education and communication. The Agriculture Branch should also publish a pasture management handbook.

In areas where it is determined that there is a large amount of undeveloped land associated with the pasture lease, and it is deemed inappropriate to keep that land out of the reach of commercial farmers who could put the land into production, measures are necessary to ensure that this land is put to productive use.

For a new regional pastures policy to have the most positive effect it is imperative that agricultural organizations lend their support. Preceding adoption of a new regional pastures policy, the Agriculture Branch should meet with the Federation of Agriculture to review the proposed policy. Once adopted, the new policy should be communicated to the public through notices at post offices and town halls, and in local media to ensure that anyone with an interest in the regional pastures fully understands any changes (such as increased user fees) in the way pastures will be run in the future.

In 1986 the provincial Agriculture Development Fund provided money for the purchase of specialized equipment by groups of co-operating farmers. This program was well received by the farming community and could be renewed and built upon in the rejuvenation of the regional pastures. Government should encourage groups of farmers, community futures groups, or development associations to purchase and maintain specialized farm equipment to be used either for providing custom farm work to farmers and regional pastures or for rental to others. The form of this encouragement would be through a support program of yearly rebates on the purchase price and maintenance costs of such equipment, based on the previous year's receipts for work performed for others and rental of the equipment.

The Task Force therefore recommends that

36. while producers are developing a land base on their own farms, the role of the regional pastures in Newfoundland be to support producers of beef, sheep, goats and dairy cattle;
37. further development of pastureland for individual farming enterprises be encouraged through co-operative programs and cost-shared funding arrangements;

38. government provide financial and educational support to encourage better utilization of existing forage land (hay and pasture);
39. the Agriculture Branch conduct a detailed review of regional pastures to determine their ability to support developing livestock industries;
40. the Agriculture Branch develop a renovation program and maintenance plan for regional pastures;
41. government assist pasture operators to develop a new system of user fees for regional pastures;
42. government review each pasture lease with the goal of making any land not necessary to the operation of the pasture available as Crown land for agricultural use;
43. government, in consultation with the Federation of Agriculture, develop a new Regional Pastures Policy and implement a public awareness program; and
44. the Agriculture Branch develop a regional pasture support program to encourage farmer groups and organizations to purchase specialized farm equipment.

Horse Breeding

Associated with the livestock industries but sometimes not viewed as a form of farming, is the breeding and raising of horses. This type of farming or ranching is often supplementary to the production of other agricultural commodities and blends quite easily with almost any type of farm activity. Some commercial horse-breeding enterprises yield very good profits by specializing in breeding special types of horses, such as riding, showing, racing and working horses. Each year, racing horses (trotters) and riding horses are purchased from other parts of the country and imported to Newfoundland. While costs to raise a yearling horse for market are higher than those of a beef steer, for example, the market price which can be obtained for a horse may be several times that of the price obtained for the steer.

Newfoundland is also the home of a native-bred horse, known as the "Newfoundland Pony", which is hardy and very versatile. There may be an opportunity to capitalize on this special breed for use locally or for export. Horse raising is dependent on agricultural feeds, services, equipment and other supplies, and could make a larger contribution to the economy if more widely established.

The Task Force therefore recommends that

45. government include the breeding and/or raising of horses in its definition of agricultural activities, and that all applicable government programs and services be made available to such enterprises; and
46. government encourage and support horse-breeding associations or other interest groups in further study of the opportunities and potential for horse breeding.

Chapter 5:

The Meat-Processing Industry

The meat packing and processing industry in Canada has annual sales of \$8.3 billion and ranks third in the manufacturing sector of the nation's economy. According to Agriculture Canada, the retail market in Newfoundland and Labrador for meat products was valued at \$144 million in 1985, but this figure excluded significant sales through commercial and institutional trades. The sales of pork and poultry products from the Newfoundland Farm Products Corporation alone amounted to \$22 million in 1989.

Despite the absence of good data, the retail, commercial and institutional meat trades appear to be lucrative and expanding. This reflects, in part, the changes that have taken place in people's eating habits — changes which have occurred with improvements in the transportation system, advances in communications and an increasing trend to purchase the same kinds of foods as do other North Americans. It also reflects simultaneous changes in the structure and operation of the food-distribution industry over the last two decades, with the growing presence of fast-food franchises in Newfoundland and Labrador. Large food markets with fresh produce, dairy and meat counters can be found in all major population centres. Institutions, such as hospitals, educational facilities and correctional institutes, have on-site kitchen facilities wherein food plans are drawn up by professional dieticians.

The levels of commodity subsidy and substantial losses incurred by NFPC, together with other problems and issues of the meat-processing industry, have presented the Task Force with major challenges. In addition to the end-product subsidies to both the hog and broiler producers, the consistent operating losses of NFPC do not fit with the Task Force's principles for Agrifoods development.

Newfoundland Farm Products Corporation (NFPC)

NFPC is the cornerstone of the domestic meat industry in Newfoundland. It is a Crown corporation responsible for purchasing, slaughtering, processing and marketing hogs and broiler chickens in a competitive marketplace. The Corporation operates the only federally inspected killing plants and processing facilities in the province, except for a caribou meat-processing plant in Nain. Therefore, all chickens and the bulk of the hogs produced commercially in the province are slaughtered and processed by NFPC. NFPC operates two plants with a total of 227 employees: one in St. John's employing 144 persons, the other in Corner Brook employing 83

persons.²⁶ Each facility has the capacity to process 11,700 broiler chickens per day on a single shift. The St. John's facility also processes between 23,000 and 24,000 hogs annually, but it does have a slaughtering capacity of approximately 50,000 hogs. Eighty per cent of the Corporation's total revenue of approximately \$22 million is derived from chicken sales and the remaining 20% from the sale of pork products.²⁷

NFPC is in a most precarious position. In the five years between 1984 and 1989, the Corporation incurred operating losses of over \$15 million. The 1989 losses alone amounted to nearly \$4 million. NFPC processes considerably larger volumes of chicken than hogs. However, the losses from chicken operations are significantly higher than those for pork. Of the \$3.5 million lost last year from chicken, \$2.5 million was incurred by the Corner Brook plant. This is ironic given that this plant is newer, more automated, more efficient and concentrates exclusively on chicken products. These annual operating deficits create a major problem for the provincial government since the province covers these deficits through operating grants. The grants have ranged from \$2 million to \$4 million annually during this five year period. The losses also presented this Task Force with a major problem in terms of presenting recommendations on developing and maintaining a viable agrifoods sector.

NFPC claims that some of these losses are due to the high costs of chicken and hogs supplied by producers. However, the Task Force's investigation of NFPC's operation suggests that a major portion of these losses is incurred for other reasons: the fragmentation of production between two plants, problems in production scheduling and meeting sales requirements, under-utilization of labour and equipment, uneven quality of products, weaknesses in product development and marketing arrangements, obsolete and poorly designed plants, poor management and organizational structure, and problems associated with running a Crown corporation competing with the private sector, but whose often untimely decisions are controlled by central agencies of government.

The solutions to these serious problems are not simple. At first glance, one could propose the closure of the Corner Brook plant which incurs over 70% of the losses on chicken processing. But, there are the political and socio-economic implications of 83 jobs being lost in Corner Brook — a town that has already suffered considerable job losses in the forest industry. There is also the question of what would happen to the ten broiler farmers located in five western communities who produce 48% of all the broiler chickens in the province. They would lose access to killing and processing facilities since the existing St. John's plant could not handle the extra production. There is also the question regarding the spin-off jobs in transportation, the feed mills, equipment supply, etc. that would also be lost.

Early in 1990 NFPC proposed the automation of the St. John's plant as a short-term solution for reducing losses, and the construction of a new facility as a long-term solution. In its proposal it suggested dropping the hog killing and processing line to focus exclusively on poultry.

²⁶ Because NFPC is a Crown corporation, all non-management staff are members of the province's public service union, NAPE, rather than one of the commercial food-processing unions.

²⁷ Statistical information in this section was provided by NFPC.

The implementation of such a strategy would have dire consequences on what little is left of the hog industry, since over 23,000 hogs would be left with no licensed processing facility. Furthermore, making the St. John's plant more automated may not necessarily solve the Corporation's deficit problems. Based on past performance whereby NFPC has not recovered its direct production costs from sales, expansion to the Corporation at this point may only lead to increased losses, unless other real problems besetting the facility are resolved at the same time. The Corporation has failed to show in detail what the impact of new expenditures will be, and government has no assurance that the existing problems will be addressed properly before costly solutions are adopted. The problems outlined above have been recognized for a long time and while some effort is being made to resolve them, it appears that substantial research and planning on the part of the Corporation is lacking. The Corporation has failed to demonstrate satisfactorily that its operating deficit can be eliminated over a reasonable period of time. Furthermore, the Corporation has also failed to demonstrate that it can operate on a sound business-like basis over the short to medium term. The question must be raised regarding who in government is qualified to make business decisions on behalf of a corporation currently competing in the marketplace with private industry.

More importantly, if NFPC continues to operate as a Crown corporation, there are no guarantees at this point that its proposed long-term solution, that is, the construction of a brand new Crown-operated facility will result in a more viable operation than the current arrangement. It is imperative that NFPC be reviewed thoroughly from the perspective of its role in agrifoods development and the potential for expansion; its commercial viability and business practices; its marketing, sales and product development; its spatial organization and transportation requirements; its ability to deal with mainland competition and its employment and labour relations. The following is an outline of these points and some recommendations to address them.

With regard to expanding production at NFPC, the volume of chicken produced on-farm is controlled through the Canadian Chicken Marketing Agency. Per capita consumption of chicken is rising nationally and Newfoundland currently has the highest level of consumption in the country. If local consumption continues to rise, it will be of no benefit to the Newfoundland industry since under the present situation the province has to turn back part of its quota because NFPC cannot process it.

The fragmentation of production between the Corner Brook and St. John's facilities creates many problems for the Corporation. While the long-term solution may entail processing under one roof, in the interim, substantial improvements could be realized if production from the two plants were better co-ordinated to meet the market needs of the premium-priced, fresh product versus the cheaper – but more costly to produce – frozen product. NFPC recognizes that the traditional frozen chicken market in Newfoundland is declining in favour of fresh products, and thus, it must aggressively pursue an increased market share. If it does not, the Corporation will be forced to maintain high inventory levels of frozen product to be disposed of at price levels which will ensure continued losses. At the present time, NFPC appears to be losing a share of its market to mainland competitors. Current trends in marketing and transporting fresh product over long distances have to be examined. For example, modified atmosphere packaging allows fresh product from Quebec to be transported to Newfoundland supermarkets. It is doubtful if

NFPC will be able to compete if improvements in the transportation of fresh product from mainland sources continue. This suggests that the Corporation has to be innovative and on the leading edge in product development, packaging and presentation of its commodities to compete with and displace products from mainland competitors. Recent experience, and many comments offered by producers, slaughterhouse operators, wholesalers and retailers, indicate that NFPC has a long way to go to reach this objective.

The future of the Newfoundland hog industry may rest with the Corporation. Marketing problems associated with low volumes of hog throughput are very real and will continue as long as current production levels by producers remain at or below present levels. Also, there appears to be a major problem in the St. John's plant in labour productivity and further processing in the hog line, as a result of low throughput. Outside of the plant, the inconsistent and irregular deliveries of hogs for slaughter, and the overall low numbers of hogs processed create difficulties with product sales. The Corporation is not satisfying customer demands under present hog-processing conditions – hence its proposal recommends that the processing of hogs be eliminated. However, all options should be considered in line with the overall strategy for the hog industry, including the consideration that the pork-processing component be expanded, not reduced. This could be achieved by importing bellies or other special cuts for further processing to supplement current product volumes on premium-priced products.

From this Task Force's perspective, a regrettable feature about the high deficit position of NFPC is that it bounces back on the agriculture industries. Sceptics of agriculture look at the Corporation's annual loss and apply it as a subsidy to the hog and broiler industries. The Corporation also appears to support this view as it claims that the high cost of hogs and chicken primarily accounts for its deficit. However, the Task Force remains unconvinced: a substantial proportion of the annual losses is a direct government subsidy to a less-than-efficient business operation.

Solutions, then, may lie not only in requiring greater efficiency among hog and broiler producers, but in making NFPC itself more efficient. This will require some soul searching by the executive at NFPC and some tough decisions on the part of government. To complete this line of argument, it should be noted that many small and medium-sized meat-processing facilities in Canada are in positions similar to those of NFPC and the large food-processing companies are streamlining their operations, given the changing trade environment. Maritime plants, for instance, have had their share of woes in recent years and have received large infusions of government funds to cover annual losses. The two giants in the Canadian meat-processing industry, Maple Leaf Mills and Canam Packers, have recently merged to make production from their plants more cost-efficient.

The meat-processing industry in Canada is in a state of flux because of competition from large agribusiness in the United States, enhanced by various countervail actions against Canadian agricultural practices, and the impact of the Canada-United States Trade Agreement. To ensure that Newfoundland retains a viable meat industry, it is imperative that the province maintain some control of the slaughter and processing of the animal products. The concept of possible divestiture

of the existing plants to an offshore interest was not considered an appropriate option since in the long term, it could lead to the end of meat-processing in this province.

It is abundantly clear that under the present circumstances if NFPC were to cease operating in both plants, the chicken industry in this province would collapse entirely and the hog industry would be reduced to small-scale operations. Similarly, the development and expansion of other meat-producing commodities, such as beef, sheep and turkeys, would also be restricted because of the lack of alternative slaughtering and processing facilities in this province. Nevertheless, because of the importance of NFPC operations to the entire provincial livestock and meat-processing industries, and in view of the large operating grants paid annually by government, the time has come when government should consider new alternatives.

The Task Force therefore recommends that

47. government consider an entirely new ownership/management concept to guide the province's livestock and poultry processing industries.

A Long-Term Solution Throughout the 1980s, successive governments have wrestled with the issue of NFPC, but decisive action to resolve the Corporation's inherent problems has not been taken. Instead, band-aid solutions have been sought within the existing framework of a Crown agency. The Task Force has heard a barrage of criticism about NFPC from producers, government officials, representatives of the food distribution trades and others concerning nearly all functional aspects of the corporation's activities. These criticisms have had one theme in common: NFPC's corporate decision-making is inhibited and handicapped by a total reliance on government.

The Task Force questions why a food-processing company competing in the private sector is run by a Board of Directors drawn exclusively from the senior ranks of the public service, rather than by representatives of the business community who are knowledgeable and experienced in corporate financing and management, especially that of the food-processing industry. The decision to reconstitute the Board's membership with public servants reflected government's concern that NFPC's financial situation was deteriorating and that Treasury Board must exert direct control. Thus, economic restraint rather than adherence to business planning principles has become paramount and this may lead to a worsening of NFPC's overall viability.

NFPC finds itself in a tenuous position. Rising annual government subsidies to cover operating losses of several million dollars and increased inefficiencies now place the operation, and the future of the entire livestock industry in this province, in jeopardy. It is inconceivable that the current situation at NFPC can continue when the number of hospital beds is scheduled to be decreased, other government services may be eliminated and numbers of public servants may lose their jobs. Decisions regarding NFPC have to be made on pragmatic and realistic objectives for future development and not on an *ad hoc* basis which will leave the Corporation without a future. The Task Force believes that if such objectives cannot be identified, government will withdraw its financial support and NFPC will shortly cease to exist. This would be disastrous

for the province's agrifoods industries and it may represent a lost opportunity to create much-needed employment and enterprise.

The Task Force feels strongly that as long as NFPC remains a Crown corporation, it cannot become viable and competitive with the private sector. One could argue that, indeed, government has no business to be competing with the private sector in an area of food processing that should more appropriately be done by private interests. Furthermore because it is an arm of government, all non-management employees are represented by a public service union contract rather than a food processing union contract. As a result, the current collective agreement between the Corporation and employees is unsuitable to a food-processing industry. Future union agreements must be negotiated to benefit employees and at the same time provide the processor with the flexibility to maximize production schedules and meet market demands.

Under the present circumstances, NFPC does not have the capacity to serve livestock and poultry producers adequately, and the present facilities, because of location, design and overall condition are not suitable for expansion. Government should discontinue its direct involvement in the food-processing industry and use some of the resulting savings for the construction of a new, modern meat-processing facility — a facility that will service both the white meat and red meat industries. There are important implications for government, for union, management and employees of the existing NFPC plants, and for livestock and poultry producers. Added to this is the question of where such a new, modern plant should be located. To deal with these issues, a special negotiating team will need to be established to examine, plan and implement a development strategy that will ensure the ultimate success of the proposed venture. The Economic Recovery Commission may be an appropriate agency to take the lead in this venture.

The Task Force has consulted experts and corporate executives in the meat-processing industry in several parts of Canada. While the resources have not been available to undertake a detailed financial and corporate study of NFPC and its options for solving current problems, the Task Force has gained a good understanding of the constraints on NFPC and the approach that may be taken to promote a viable meat-processing industry in this province. Moreover, the Task Force questions whether or not extensive consultant studies are now necessary. NFPC has been studied several times in the last decade and its problems are well known. Solutions, then, may best lie in swift action, not further study.

The experts consulted suggest strongly that a viable meat-processing industry can be developed in this province if a team of knowledgeable people can be brought together and made responsible for negotiating a refinancing and restructuring package for NFPC. The Task Force was told that the market area of Newfoundland and Labrador is sufficient to sustain a viable meat-processing operation, particularly given the difficulties in transporting meat products to the province and the growing consumer awareness and demand for fresh meats. However, such an operation must be responsive to producers of meat and aware of market indicators. The industry must go beyond the mere slaughtering of animals to processing foods; this will involve a measure of food product development expertise and a willingness to implement innovative product presentation and packaging and marketing schemes.

The Task Force has concluded that a new consortium should be created to take over the role and functions of the existing NFPC. It is imperative, however, that the new consortium be largely self-financed and soon become self-sustaining. Government's financial involvement in the new venture must be limited to providing loan guarantees and a minimal amount of capital investment only. The negotiating team, organized and lead by the Economic Recovery Commission, should strive to form such a consortium from several private sector interests which would be willing to invest in an entirely new industrial enterprise. An existing local company engaged in the food industry could be a key player; ideally, a company with expertise in international fish markets could bring to the consortium, a wealth of experience in an industry compatible with meat processing. This approach has been used with considerable success in similar situations in Atlantic Canada. Moreover, the livestock and poultry producers have indicated that they are willing to commit a portion of the equity required to finance the new venture, and further investment from the industry could be possible through a check-off system which could initially be covered by government loan guarantees. As with other new meat-processing ventures created elsewhere, provisions for employee equity could prove beneficial, not only as a means to raise capital, but also as a method for opening up the management and operational decision making of a company to those who work in its facilities. Finally, it is suggested that all external funding routes be explored, particularly from federal agencies such as the Atlantic Canada Opportunities Agency which has a mandate to assist entrepreneurial business ventures in this province.

One of the strongest messages the Task Force received is that the industry cannot be viable with two processing plants in operation — one on either coast of the province — nor can the current St John's plant be renovated to handle the production volumes that would be required to serve provincial and potential export markets. Moreover, the St. John's plant is so antiquated and inappropriate a facility for meat processing that it must be replaced. This suggests that a new, modern slaughtering and meat-processing plant be constructed by the consortium to handle the entire output of the province. Thus, both the Corner Brook and St. John's plants currently operated by NFPC should be closed, but only after the proposed new plant is fully operational. The broiler operators in Western Newfoundland would find that it is more difficult to transport their birds across the province (assuming the new plant is built on the East Coast), but transporting poultry over several hundred kilometres, even in winter, is not as onerous a task as might be expected. In the Maritimes, for example, livestock and poultry have been shipped from Northern New Brunswick and Prince Edward Island to the Annapolis Valley with extremely low mortality rates. Location for the new plant, of course, would be a key consideration which should be decided by the consortium. However, the Task Force can see certain economic and environmental advantages in locating such a facility outside of St. John's, perhaps closer to the broiler operator concentration on the Avalon peninsula.

The new plant must be located and designed to service the province's livestock and poultry industries, with allowance for future industry expansion. Slaughter and processing facilities must provide for both the red meat and white meat animal industries. In addition to current NFPC plant capacity to process both chickens and hogs, provision must also be made to accommodate processing of culled dairy cattle, spent layers (hens), beef cattle, sheep and lambs, turkeys and roaster chickens. This may require some innovative plant design to accommodate the exigencies

of a multi-species processing facility. Location of the proposed new facility must be determined by environment compatibility (especially offal disposal), energy sources (hydro), water supply, proximity to raw inputs (livestock and poultry producers), proximity to services (especially technical support services) and proximity to markets.

In summary, for any new plant to be economically viable and competitive, the price of raw product has to be set at reasonable levels, production must be scheduled and co-ordinated to meet marketing needs and the union contract must be oriented to the food processing sector. The recommended closure of the existing NFPC plants at both Corner Brook and St. John's presents government with a particularly difficult decision to make. The impact of the closure on employees and families as well as the economic impact of these facilities on their respective communities have to be considered. Nevertheless, this Task Force feels that it is in the best interest of the people of Newfoundland and Labrador to close the costly existing facilities when replaced with one facility serving the entire province. Over the long-term, it is expected that the new facility will turn a profit, employees will have more job security, the livestock and poultry industries will expand, more jobs will be created and the Newfoundland and Labrador population will move closer to self-sufficiency in several meat products. Meanwhile, to minimize the impact of closure, the Task Force suggests that NFPC facilities may continue servicing the agrifoods industries through alternate facility use. The concept of using these facilities for vegetable marketing in particular has considerable merit and will be developed further in the marketing section of this report.

The Task Force therefore recommends that

48. government, through the Economic Recovery Commission, immediately initiate a process that will lead to the construction of a new high-technology meat-processing facility jointly owned and managed by a consortium composed of a group of private investors, producers and employees;
49. government discontinue its direct involvement in the meat-processing industry through the scheduled closure of both the St. John's and Corner Brook plants of NFPC, to take effect when the proposed new facility is fully operational;
50. a planning and implementation work group be established to oversee the orderly closure of the existing NFPC plants and the movement of production to a new facility with minimal disruption to production and sales;
51. government provide appropriate capital development funding and loan guarantees to assist the new venture in getting started, on condition that public funds not be provided to offset any operating losses incurred. Government should ensure that effective control of the new consortium remains in the province;
52. government respect the successor rights of the Newfoundland Association of Public Employees (NAPE) union involved with the plants and make every effort to ensure its support and co-operation towards helping to negotiate with the new plant owners an agreement more appropriate for the food processing industry;

53. with the assistance of the Department of Development and the Agriculture Branch, the new consortium and the meat commodity boards develop marketing strategies and promotional programs for the new facility and its products; and
54. government identify alternative agrifood uses for the existing NFPC facilities.

Interim Efficiency Measures Since time lost because of employee illness or being on Workers' Compensation may contribute as much as \$1 million or more to the Corporation's deficit, NFPC should initiate a joint effort with its employees and their union (NAPE) to reduce these unacceptable levels of absenteeism. To this end, a strategy should be developed and practical programs put in place to minimize employee lost time, a strategy which would promote the importance of every employee being at work, being productive and being appreciated. This strategy would include consideration of employee health and safety, alternate work schedules, employee assistance programs as well as incentive programs to motivate employees. Plant production could be more market-oriented in order to optimize sales revenue. There appears to be more focus on plant production than on what is being produced; consequently, the plants frequently have processed product which is not immediately required for the market (this goes into inventory as frozen product) and too little of the product immediately required by the sales people. In addition, the production from the two plants must be better co-ordinated to meet market demands.

Because of the five statutory holidays occurring between May and September, potential production and processing of 117,000 broilers are lost at a time when market demands for fresh product are at a peak. NFPC, in consultation with the Collective Bargaining Division of Treasury Board, should commence negotiations immediately with NAPE towards a memorandum of understanding whereby summer statutory holidays may be taken by employees at a time of year when market demands are less pressing or traded for other more appropriate employee benefits. NFPC should work closely with the appropriate producer organizations towards supplying raw product which can meet the product requirements of the consumers. To ensure that good quality, safe and consistent NFPC products are going to the marketplace, the Corporation should continue to improve appropriate quality control measures inside the plant. Moreover, all NFPC vehicles and any contract trucks used for delivery of fresh and frozen product should be immediately equipped with refrigeration units. To down play the Corporation's image of a food processor somewhat reluctant to compete with the private sector, NFPC should continue its development and implementation of a more aggressive marketing strategy. To reduce bruising and other injuries to birds which result in rejects or lower quality products, immediate action should be taken to improve the handling of live birds during catching, transportation and in-plant stacking, handling and shackling prior to processing. Furthermore, personnel involved in handling birds must be given appropriate training.

NFPC should assess the viability and potential to increase throughput by importation of hog portions (such as sides/bellies) most suitable for further processing into premium-priced products (such as deli hams and garlic loins), thus improving the current under-utilization of labour as a result of low volume throughputs; to assist in building employee morale, an employee suggestion

awards program should be developed to recognize cost-saving, or revenue-generating ideas of employees. An immediate review of the organization, structure and staffing of the overall administration of the Corporation should be undertaken. Management and administrative costs are comparatively high for NFPC. NFPC should identify the cost and potential of tray wrapping selected fresh products and obtaining premium prices in order to supply a wider range of markets, especially markets which do not have access to the services of a butcher. NFPC should continue to pursue aggressively offshore markets for its further-processed products. Apparently, sales of NFPC Country Ribbon breaded chicken are going well in the Maritimes as a result of the market entry price and sales strategy. As a short-term measure to start processing additional quota allocations for the province, NFPC in consultation with the employees' union and chicken producers, should schedule additional processing on its chicken line by utilizing part-time employees at regular hourly rates for a suitable number of additional work shifts at either or both of the St. John's and Corner Brook plants. As one means of recognizing employee contributions and to promote the company's products, NFPC might consider offering a special employee price discount on its products as is often done for employees in the private sector.

All costs associated with implementation of these recommendations should be offset through identification of cost reductions of lower priority items in the Corporation's existing operating budgets or through savings achieved by successful implementation of efficiency improvements.

The Task Force therefore recommends that

55. government provide the NFPC Board of Directors with the responsibility and authority to take action to ensure management compliance with all recommendations deemed appropriate to the overall strategy for NFPC;
56. representatives from both the broiler and hog industries be immediately appointed to the NFPC Board of Directors as industry consultants;
57. NFPC take appropriate action to ensure product inventories are maintained at levels which meet market demands as they arise;
58. NFPC continuously monitor the marketplace to ensure that the plants are processing the yields and product mix which will ensure optimum sales revenues; and
59. NFPC continue expanding its market share for fresh meat products through development of aggressive marketing and sales strategies, and the resources needed for this be directed to the marketing division.

The Board of Directors must be directed to implement these recommendations immediately, and to monitor and prepare quarterly reports for the Minister on the results achieved.

Further Opportunities for Meat Processing

Animal By-Products From research conducted by the Task Force, public hearings and submitted briefs, it is obvious that there are opportunities for development in the area of processing and marketing of animal by-products, thus maximizing the full economic benefits of the meats industry in this province. The Royal Commission on Employment and Unemployment

recommended that government develop an animal-products industry using appropriate, small-scale technology. A great deal of interest has been demonstrated in exploring the potential for processing such products as wool and hides from sheep, hides from cattle, feathers from broilers and layers, and animal offal for feed and other products. It is disturbing to see that these and other by-products of the meat industry largely go to waste. Additionally, the current wastage of other products from the harvest of moose, caribou and bear, from by-products of the fur industry, from the seal harvest and the astounding volumes of waste from the fish processing industry present opportunities that could create a number of full-time and part-time jobs. Opportunities may exist for using such by-products in the manufacture of clothing, pet foods, fertilizers, farm animal feeds, aquaculture feeds and so on. The Food Science and Nutrition Programs at Memorial University should, with appropriate funding, take the lead in developing feeds for domestic animals, pet foods, organic fertilizers and fish food, utilizing by-products and offal from land and marine sources.

NFPC might be able to arrange production schedules to utilize spent hens from egg producers. Laying birds are replaced at the rate of over 400,000 a year, and only half of these are presently picked up by the rendering plant, with no revenue to the farmer. Many of the remaining spent birds are now discarded for landfill. Instead, these could be processed whole (canned) or used in further-processed products such as nuggets, patties, etc. or in some innovative manner which could increase revenues to the Corporation.

Through a mutually acceptable arrangement with the Rothsay Rendering Plant, immediate action needs to be taken to correct the present undesirable situation with regard to waste disposal. The Task Force finds the present use of offal from the Corner Brook plant as landfill to be totally unacceptable, both from an environmental perspective and a by-product utilization standpoint. Offal from the Corner Brook plant could be rendered into meat meal by the Rothsay Rendering Plant in Foxtrap to be used in the province's feeds industry as a protein supplement in feed manufacturing. At the same time, extra jobs would be created at the rendering plant because of the increased volumes processed. Furthermore, NFPC should adopt an attitude whereby its offal is treated more like a valuable product for further processing; this would minimize the inclusion of garbage items such as rags, metal grading tags and other undesirable contents into the offal leaving its plants.

The Task Force therefore recommends that

60. government, through the Economic Recovery Commission, and the Food Science and Nutrition Programs at Memorial University, pursue the Royal Commission recommendations on an animal by-products industry for Newfoundland; and
61. NFPC arrange production schedules to cost-effectively utilize as many spent hens as practical to supplement present operations.

Turkeys There are growing numbers of inquiries from people interested in commercial turkey production in this province. A market for fresh local turkey has been successfully developed in Nova Scotia by Nova Scotia producers and the Task Force feels that there is potential for a

similar market in this province. Current turkey production in Newfoundland is estimated at about 227,000 kilograms per year. Most of this comes from a few producers; however, there are numerous people who annually raise small flocks of less than 100 for family and friends. Local turkey has been observed in the market place for \$5.50 per kilogram. Such prices could make a commercial operation viable if sufficient market share were obtained. This commodity, however, is presently restricted because there are no federally inspected slaughter facilities available for turkeys in the province. Consequently, the retail food store market is limited to those stores willing to risk selling uninspected meat products; in fact, new federal legislation may prohibit such sales in future. In addition, the lack of inspection services is a serious deterrent to entrepreneurs obtaining necessary financing to start up turkey production.

The Task Force therefore recommends that

62. temporary inspection services be provided to selected slaughterhouses which would kill and eviscerate spent hens and turkeys; and
63. the Agriculture Branch, in consultation with existing producers, undertake appropriate studies to determine the feasibility and economic viability of an unsubsidized turkey industry and identify potential markets for locally produced turkey.

Beef Present beef cattle farms are small, with about 160 beef producers and 2,300 beef cattle. These producers are located primarily on the Avalon Peninsula and in the Western regions of the province. Beef production is an important secondary income for many farmers. However, prices received are fairly low. As with the sheep industry, there appears to be significant reliance by beef producers on the regional pastures where cheap grazing has been available. Newfoundland is blessed with an abundance of free range land, such as the barrens on the Cape Shore, where sheep range free. This may be suitable for limited beef production as well. Interestingly, one local wholesaler is importing fresh, grass-fed New Zealand beef for processing.

The Atlantic region is a net importer of beef products and thus, opportunities may exist for import replacement by "natural-fed" local beef. Since Newfoundland produces only a small share of its annual beef consumption, it appears that a ready-made market may exist for a good quality local product. There are advantages to consider: beef cattle are well-suited to complement other farm and off-farm employment; they do not require elaborate housing and management programs; beef cattle can be raised on roughage, by-products and opportunity feeds which may be available locally so that beef production need not be based on large quantities of costly imported feed; beef production is not restricted by quotas or supply management. However, there are also constraints which must be overcome before production of local beef can become a viable and competitive industry. There are no inspected slaughtering and processing facilities available to the industry; current production consists of small herds dispersed over large areas; there is no pricing or marketing structure in place; there is no strong producer organization; production is very seasonal in nature; there are limited beef-herd improvement programs in place; and little or no research has been conducted on the industry. High-quality animals with good growth characteristics are an important component of any beef industry. If a beef industry is to be developed further in the province then producers must have continuing access to top-quality bulls.

Culled dairy cows represent a growing opportunity to develop an expanded beef industry in this province. Currently, many culled dairy cows are being shipped live out of province for slaughter and cut-up by mainland processors. Other culled dairy cows are slaughtered on-farm and used for on-farm consumption as well as for limited sales to off-farm customers and small butcher shops. The numbers of culled dairy cows combined with specific beef cattle production amounts to some 4,000 animals annually. Culled dairy cows and natural-fed beef cattle may present an opportunity for local producers to gain a significant market share of the province's beef consumption, bearing in mind that markets will be limited to some degree by consumer trends towards purchase of more white-meat products. Newfoundland may also be able to produce, on a fairly large scale, specialty products capitalizing on the concept of free-range, chemical-free beef.

The Task Force therefore recommends that

64. government seek assistance from Agriculture Canada to investigate the costs associated with using artificial insemination, instead of maintaining bulls for the purposes of genetic improvement of beef herds, and ensure that the most cost-effective strategy is implemented;
65. government develop a comprehensive support program to upgrade the quality and efficiency of beef animals, recognizing the assistance for the purchase of registered pure bred beef bulls currently provided by Agriculture Canada, and focusing the efforts of the Branch on the purchase of cows sired by performance-tested bulls to be used as breeding stock; and
66. government, in consultation with producers and processors, determine the viability of an expanded provincial beef industry based on natural-fed beef with the objective of initiating a comprehensive beef-development program and marketing strategy.

Sheep There are no reliable data available to indicate the number of sheep producers or sheep on farms in Newfoundland; however, the Task Force is aware that there are at least 150 people involved with raising sheep. Most are part-time producers. Efforts are being made both by the Sheep Producers Association and government to obtain good data but it appears, for a variety of reasons, that people are not accurately reporting numbers. A Sheep Producers Association was organized in 1989 with input from the provincial and federal governments. To date, the Association has approximately 90 members and the membership continues to grow. Sheep numbers have declined from about 18,000 ewes on farms in 1956 to approximately 7,100 in 1988. There is a sense from both the Association and some Agriculture Branch staff that the sheep industry is now poised for a come-back in interest and numbers of animals.

There are a number of factors which indicate that Newfoundland may have some unique qualities which are very conducive to a successful sheep industry. Newfoundland can indeed produce natural chemical-free mutton and lamb. There appears to be a good market demand for local lamb: there is no competition for market-share with neighbouring provinces; Newfoundland producers have the ability to place a fresher product in retail stores than any competitors; sheep

require very little high-cost imported feed grains; sheep production requires lower capital investment than most other livestock enterprises; sheep are well suited to providing supplementary income, either combined with other farm activities or off-farm employment; many Newfoundlanders have a tradition of raising sheep; by-products such as wool and hides could be used in the province's expanding crafts industry; sheep can thrive on land such as open barrens which is unsuitable for other livestock grazing. Newfoundland has its own local native sheep resembling the North Country Cheviot breed which is a thrifty, efficient and hardy sheep producing excellent ewes.

However, before a viable and competitive commercial industry can be developed to potential, there are considerable constraints which have to be addressed. There is no sheep-industry development policy to provide the necessary direction and program initiatives for industry growth. Little industry infrastructure exists and the Sheep Producers Association is still organizing. There has been little government support for the industry and the effectiveness of past government support programs has been questioned. There are inadequate slaughtering facilities available and no meat inspection services; this restricts sales both for export to places such as St. Pierre and for the local retail food trade. There are sheep management problems: lack of capital funds, inadequate land base, inefficient production techniques, lack of skills and training, and lack of predator controls. There is no organized marketing strategy for lamb or other sheep products. Quality and price vary throughout the province and most production is seasonal, creating a market glut each fall. There is no organized breeding program and no system for buying or selling local stock. There is also no infrastructure developed to process and utilize industry by-products such as wool, hides and offal.

Despite these constraints, however, the Task Force feels, based on the enthusiastic response from several producers and the Association, many positive comments from a variety of sources, and the obvious potential for an expanded industry, that government would be wise to pursue sheep production as one of the natural advantages this province has. To this end, the Task Force suggests that government work with producers and Agriculture Canada towards developing a comprehensive sheep-industry development plan. It is estimated that less than 25% of local consumption is locally produced. There may also be export opportunities for good quality lamb products. This plan should include, but not be limited to, considerations which will provide capital assistance to increase land development and local forage production, improve buildings, holding pens, feeders and equipment such as weigh scales. In addition, production incentives should be provided to increase lamb numbers and lamb weight, and to improve breeding stock and management practices. All of these factors should coincide with the recommendations regarding slaughter facilities, inspection services and development of an effective marketing strategy. Government assistance should be directed primarily towards potential commercial operations of 25 ewes or more with the resulting infrastructure and markets benefiting smaller supplementary production as well. Production should be encouraged as part of a total farm enterprise or as a supplement to off-farm employment.

Commercial sheep farmers must be encouraged to join the provincial Sheep Producers Association. It may be necessary for membership to be one of the qualifications for participation in any sheep incentive programs developed. Along with producers contributing financially to the

Association, government should consider providing an appropriate operating grant for a set period of time while the sheep industry develops towards self-sufficiency.

Land development and forage production should be directed towards bringing unused private land into production and fencing it, in line with the proposed regional pastures programs; towards increased use and improved production on the native barrens similar to blueberry land development, and finally to production, harvesting and storage of forage.

Breeding programs should consider the use of native Newfoundland ewes or similar breeds for open range and regional pasture grazing. For flocks grazed on private land, maximum production could result from using crossbred females mated to a meaty breed to produce market lambs or from trying new Arcott breeds which were developed to produce market lambs. In addition, there should be an annual auction, or similar mechanism, which could assist the exchange and use of local breeding stock.

To promote the initial development of the industry, management incentives should be provided for all producers with a minimum of 25 breeder ewes and enrolled on the Record of Performance (ROP) program. To date only 14 Newfoundland producers are enrolled on the ROP. Incentives would include: lamb weight incentives of \$15 per lamb for producers whose average 100 day weight is above the previous year's average 100-day weight; \$15 per lamb for each annual 10% increase in lamb numbers per ewe at 100-day weights; a ram bonus of \$75 per qualifying ram purchased from a flock on ROP with a specified minimum average daily gain; grants of 50% of the costs of estrus control materials up to a maximum of \$4 per breeding ewe per year; grants for 50% of the cost of preparing pregnancy examination up to \$1 per breeding ewe per year; grants of \$100 per year to producers who provide, confidentially, information records in an approved form to the provincial Agriculture Branch for a computerized business analysis.

Commercial sheep producers and their provincial associations must work closely with municipalities and government to control dogs, lynx and coyotes in sheep-producing areas. According to the Chairman of the Nova Scotia Community Pastures Board the coyote has made large-scale sheep production impossible in that province. If Newfoundland does not act quickly on the coyote migration into Newfoundland, any potential advantage we might now have in the production of sheep will be quickly lost. According to the brief presented by the Federation of Agriculture, there is a trapping season for coyotes just now being implemented. This may not be enough to stop such a potential threat to a developing sheep industry in the province. Recognizing this great danger, government needs to develop, as quickly as possible, the necessary policy and regulations to deal with the coyote predation problem in an effective manner.

Education and skills training are other serious constraints to the development of a successful sheep industry. Programs must be developed to include extension services by both levels of government: training programs through the community college system, visits by farmers to other farms, and seminars in and out of the province, including work exchange programs. The Federation of Agriculture is developing an education and training component which should fit well with these recommendations.

The St. John's West Research Station currently maintains a small flock of native sheep used for limited feed trials associated with forage research work. The Task Force feels that this flock should be utilized in conducting practical feeding and management trials. The Station should also be used to test small numbers of new breeds in the Newfoundland environment. This should be carried out in collaboration with the Food Science and Nutrition Programs at Memorial University and with advice from other Eastern Canada Research Stations where sheep research is being conducted.

A producer-supported marketing strategy which concentrates on the marketing of fresh lamb and further processed lamb products needs to be developed. The Food Science and Nutrition Programs at Memorial University could, with appropriate funding, take a leading role in developing new lamb products. As the industry grows, it could serve the hospitals, restaurants and institutions in addition to retail food stores. Export opportunities should be explored. There appears to be a ready market for fresh Newfoundland lamb in St. Pierre and Nova Scotia. The marketing strategy should also include a producer mechanism to collect, process and market wool and hides for maximum returns to producers. So that sheep and beef production can become viable and competitive, the industry must be based on locally produced feeds, preferably natural grasses. The regional pastures program discussed earlier in this report will play a crucial role in development of these industries. By following a well planned and implemented strategy, the sheep industry in Newfoundland can be developed to its potential and play a significant role in the provision of overall employment opportunities generated by the livestock industries.

The Task Force therefore recommends that

67. the Agriculture Branch work with Agriculture Canada and sheep producers and their provincial associations towards creating a comprehensive sheep-industry development plan. The plan would include, but not be limited to, the following considerations:
 - capital assistance to increase land development, local forage production, building improvements, holding pens, feeders and equipment,
 - production incentives to increase lamb numbers and lamb weight and to improve breeding stock and management practices,
 - incentives for membership in the provincial Sheep Producers Association, by sharing association operating costs for an interim period,
 - use of native Newfoundland ewes or similar breeds for open range and regional pasture grazing,
 - an annual auction or similar mechanism to assist exchange and use of local breeding stock,
 - management incentives for all producers enrolled on the Record of Performance (ROP) program, with a minimum of twenty-five breeder ewes,
 - education and training programs,
 - development of a producer-supported marketing strategy concentrating on the marketing of fresh lamb and further-processed lamb products,

- use of the Food Science Program at Memorial University in a leading role in developing new lamb products,
 - identification of export opportunities, and
 - a mechanism for producers to collect and market wool and hides; and
68. Commercial sheep producers work closely with municipalities and government to control dogs, lynx and coyotes in sheep producing areas; in particular, government should immediately develop policy and regulations to deal with coyote predation.

Speciality Meat Processing and Packaging During the course of its review, the Task Force observed numerous opportunities for local processing and packaging of speciality meat products. Goats and rabbits are currently farmed in low numbers and interest has been expressed in the domestic raising of caribou and red deer. Today's consumers are becoming increasingly sophisticated and are anxious to try new innovative products and are willing to pay very high prices for tasty specialty products such as garlic pork loins which retail at \$18 per kilogram. Caribou meat from Labrador is in demand in Ontario and Quebec speciality restaurants. The advent of the microwave oven and other food preparation technologies has created an instant demand for products and packaging suitable for new cooking devices. The raw product is readily available in Newfoundland and opportunities to develop and create specialty products are limited only by imagination.

Memorial University's Food Science and Nutrition programs are among the largest in Canada. These programs are affiliated with the Department of Biochemistry and as such are not readily identified with the food industry. Elsewhere in this report, it is recommended that government encourage Memorial University to make it a priority to establish a separate Department of Food Science and Nutrition. It is also recommended that the Seafood Development Unit at the Marine Institute be integrated with this new department. The department, with appropriate funding, should take a leading role in developing speciality products, micro-wave packs, etc. This research and development should not be confined to agrifoods, but would also include fish, wild animals and berries.²⁸

Domestic Meat Inspection and Animal Slaughtering Facilities

A key factor to consider in the future development of livestock and poultry production is the provision of meat inspection services to rural areas of the province. It is said that the biggest deterrent to the sale of local meats to retail outlets is the lack of meat inspection services. At the present time, the only meat inspection service provided is by federal inspectors at the two Newfoundland Farm Products Corporation plants (St. John's and Corner Brook) and at the caribou processing facility in Nain, Labrador. The Task Force is aware that there are nearly 100 other slaughtering facilities in the province licensed by the Department of Health under the *Meat*

²⁸ *Agri-aqua foods* might be a suitable collective term for these foods.

and Meat Products Regulations (1966). The Department of Health licence permits persons to slaughter animals at facilities (some of which are mere backyard sheds) approved by the Department of Health. Included among these facilities are the regional slaughterhouses formerly operated by government either through the Agriculture Branch or through Newfoundland Farm Products Corporation. Others are operated by Development Associations or farmers' groups. The majority (at least 75%) are on-farm facilities including nearly all the dairy farms which slaughter some of their culled dairy cattle for local consumption. Meats from these slaughter facilities do not undergo any formal inspection prior to sale or trade to consumers. The major share of the meat is uncut product for the home freezer market and is sold primarily in the fall. The quality of local meat varies considerably because of inconsistent feed quality, herd health measures and animal management practices of producers.

Concerns were expressed to the Task Force about the quality of uninspected meat from some privately-owned slaughterhouses across the province, though all of the slaughterhouses visited by the Task Force operated with meticulous adherence to regulations. However, to ensure that there is no risk of contamination, all commercial meat must be properly inspected.

As well as concerning itself with public health, government must also deal with the policy implications and associated costs of delivering an effective meat inspection program over large geographic areas; availability of trained personnel to deliver the program; location and design of suitable facilities; low-volume and seasonal slaughter; development and consistent monitoring and enforcement of regulations; eligibility requirements; public funding commitments; market development; environmental issues; and cost recovery options.

External pressures to develop an appropriate meat inspection program include the decision taken by Canada to amend its *Agricultural Products Standards Act* so that in the near future all graded poultry products retailed in Canada must come from inspected abattoirs. This has particular significance to the expanding turkey production which is currently marketed uninspected. The Canada-United States Trade Agreement is bringing pressure on Canadian provinces to harmonize their provincial meat inspection regulations; this would probably promote greater movement of meat between provinces. Along this line, discussions among federal and provincial officials following the federal-provincial conference in July 1990 have apparently resulted in a spirit of co-operation toward the eventual elimination of barriers to interprovincial trade in agricultural products. The future viability of the local meat industry may require that all meats be inspected in order to compete in the marketplace. Local pressures stem from cattle, sheep and turkey interest groups who are anxious to expand their production as well as their market share.

The Task Force on Agrifoods is concerned with two major issues regarding the inspection of meats from local slaughter facilities. First of all, there are concerns about the public health hazards associated with the consumption of uninspected meats and secondly, there is a need to seize the potential opportunities to create wealth-generating employment from the apparent increasing demand to expand production in existing commodities such as beef, sheep, lambs and turkeys. In addition, an effective meat inspection program conducted at suitable facilities would provide opportunities to develop markets for other undeveloped meat products such as pheasant,

spent hens and wild game. The Task Force is also concerned that for all animals being slaughtered, the procedure be carried out in an appropriate and humane manner. The provision of an effective domestic meat inspection service can address these issues by ensuring that slaughtering is humane, that only healthy animals are destined for human consumption, and that sanitary facilities and practices for the slaughtering and processing of animals are in place. Specific guidelines and regulations must be developed for the local meats industry as well as a mechanism to implement and enforce these regulations consistently. The Task Force on Agrifoods has met with the Agriculture Branch Committee established to review provincial meat inspection, and all research material and notes prepared by the Task Force on this issue have been passed over to it. The Task Force fully supports the Branch's review of this matter and further urges that the Committee report to Cabinet on this matter early in the 1991/92 fiscal year. The Committee's review should include, but not be limited to, the following considerations:

- an inventory of all existing slaughtering/processing facilities in the province including location, size and age of structures and equipment, and the numbers and kinds of animals slaughtered/processed annually, as well as kill dates;
- an inventory of existing facilities such as inactive fish plants, which could be adapted for slaughtering/processing animals;
- arrangements to have market surveys conducted to determine where and to what degree markets exist for locally produced meats and to identify opportunities for capturing market shares;
- standards established for facility design, operation, maintenance and waste management;
- standards for handling animals, including transportation, loading, unloading, holding and killing processes;
- options to consider in implementation and delivery of a province-wide meat inspection program including ante mortem and post mortem inspections;
- options to consider for staffing the program as well as associated training needs,
- a proposal to educate producers and other relevant agrifoods people in the objectives and benefits of the program;
- considerations for inspection and cut-up of wild game (moose, caribou, rabbits, etc.),
- education programs for existing and new entrant meat producers in the animal feeding, animal health and farm management techniques in order to develop high quality local meat for the competitive marketplace;
- identification of all costs associated with the options, proposals, and likely funding sources; and
- identification of any legislative requirements (such as amendments to *Meat and Meat Products Regulations*, 1966).

Custom Killing There is need to expand the province's custom killing²⁹ capacity to serve small, part-time livestock farming. One such facility near St. John's custom kills turkeys, hens and broilers, and in addition, caters to the specialized requirements of ethnic groups, such as the Kosher needs of the Jewish community. Such facilities serve a useful purpose by accommodating low-volume producers who need not construct and maintain their own slaughter facilities while, at the same time, providing much needed employment and adding returns to a farm which may not be viable without it. Again, there is a need for proper standards and guidelines to construct, operate and maintain these facilities, and for meat inspection services, all of which are essential for the long-term development of this segment of local production. The Agriculture Branch, as part of its review of slaughter facilities, should conduct a survey of all the province's slaughtering facilities and identify facilities and owners who are interested in pursuing custom killing services. The Agriculture Branch should assist such enterprises through identification of funding sources, technical advice and promotion of the service to the community at large.

The Task Force therefore recommends that

69. the Department Committee established to review the provincial meat inspection issue develop, in consultation with the Federation of Agriculture, Agriculture Canada and other appropriate agencies, a proposed meat inspection program for the province by September 1991.

²⁹ Small-scale, specialty slaughtering.

Chapter 6:

The Dairy Industry

The dairy industry is one of Canada's most important agrifoods industries, with total sales accounting for over 16% of estimated consumer food and beverage purchases. It generated \$3.3 billion in revenues in 1988, representing 15% of farm cash receipts; total sales from dairy processing plants were valued at approximately \$7.2 billion. The industry comprises 36,500 dairy farm enterprises and 375 milk processors, many of which are owned and controlled by producer co-operatives. These industry groups are supported by numerous traders, wholesalers and retailers, equipment suppliers, transportation and professional service companies, regulators, government agencies and agricultural specialists.³⁰

There are two milk markets in Canada: fluid milk, which is processed for consumption in the form of liquid milk products, and industrial milk, used in the manufacture of a variety of dairy products. Fluid milk is processed into table milk and creams which are sold directly to consumers. Some of these have high butterfat content, such as whipping cream containing 32% fat. Whole milk contains 3.25% butterfat, and the fat can be skimmed off to produce 2%, 1% or skimmed milk (containing 0.1% fat). Butterfat not used in the fluid milk industry is directed to the industrial milk market. Products made from industrial milk include butter, cheese, ice cream, concentrated whole milk products (evaporated and condensed milk), cultured or semi-fluid commodities (yoghurt and cottage cheese) and processed foods, such as pizzas and soups. About 40% of the processors produce fluid milk, while the remaining 60% manufacture industrial dairy products.

Since it is expensive to transport raw milk and the quality requirements are stringent, most fluid milk is consumed in the province in which it is produced. Policies governing fluid milk production have historically been a provincial responsibility and the marketing of fluid milk remains under provincial jurisdiction. The various provincial acts and their regulations provide for the licensing of producers, the control of milk quality, the establishment of minimum sanitary standards and the setting of fluid milk prices. Each province maintains and administers a quota scheme for fluid milk under the auspices of their supply management systems. However, the marketing of industrial milk falls under joint federal provincial jurisdiction. Dairy products

³⁰ Agriculture Canada, *Report of the Task Force on National Dairy Policy*, 1990.

transported and sold across provincial boundaries are subject to a national marketing scheme guided by federally-administered regulations and standards. Newfoundland is the only province which does not participate in the Canadian Milk Supply Management Scheme.

While Newfoundland is not a major dairy producing area, the dairy industry is one of the more extensive agrifoods industries in this province in persons and groups involved, and it is also one of the most valuable. Cash receipts from the approximately 300,000 hectolitres of fluid milk produced on the province's 74 dairy farms in 1989 amounted to \$18.5 million – almost one-third of total farm cash receipts. The value of fluid milk products (defined by legislation as including cream and chocolate milk, as well as table milk) derived from sales by the two dairies was almost \$38 million in 1989, meaning that close to \$20 million of value was added to the raw milk in the processing plants. Dairy enterprises not only contribute to the provincial economy, but they add a measure of economic stability to local dairy regions through supporting several hundred permanent jobs in areas where unemployment is high and alternative job opportunities are limited. Tens of millions of additional dollars are generated each year in industries which service dairy producers and processors, including feed companies, equipment suppliers, machinery repair companies and transportation firms.

The industry has more than doubled its level of production since the introduction of supply management in 1983, but there has been considerable public debate about the price consumers pay for their milk compared to the price in neighbouring provinces. Restrictions on importing cheaper milk, coupled with the Newfoundland Milk Marketing Board's power to unilaterally set fluid milk price levels, have led critics of the industry to question why consumers should be forced to pay more for their milk in order to maintain a local dairy industry. However, the dairy industry is self-sustaining in that it does not rely on public sector subsidies, and much of the industry's rapid growth over the last seven years is self-generated. Government funds invested in the industry during the 1980s have been focused on promoting efficiency improvements, such as developing forage land or improving on-farm yields, rather than subsidizing product prices, incomes or farm operations.

From Subsistence to Supply Management

Until well after Confederation, much of the milk, butter and cheese produced in Newfoundland and Labrador came from small dairy herds of less than half a dozen cows which were kept to satisfy the needs of individual families in isolated regions. Often, there was an expectation in small settlements that milk produced in this subsistence manner would be shared throughout the community, or at least with immediate neighbours. Commercial dairy farming developed in the nineteenth and early twentieth centuries and had spread to almost all regions by the time of Confederation. In 1822, for example, Cormack recorded his visit to the Hulan farm on the West Coast where he found a small, but innovative commercial dairy operation with six

milking cows producing milk, butter, cheese, yoghurt and other dairy-based foods.³¹ Herd sizes were generally small by today's standards, farms were inefficient, and the numerous farms across the province usually served extremely localized markets. As the population centres on the East and West Coasts grew, the number of commercial herds close to towns also increased, particularly around St. John's. The industry grew throughout the 1930s and 1940s, largely because of physical and economic difficulties in transporting milk to Newfoundland from Canada.

The demand for fluid milk in the province increased after Confederation. However, low prices forced producers on the East Coast to reduce the size of their herds and limit production levels. The influx of cheaper imported milk from the mainland and the increasing availability of powdered and canned evaporated milk cut into the local industry's traditional markets. By contrast, the market demands of Corner Brook and Grand Falls were greater than the supply and West Coast farmers had few problems selling their products. During the 1960s, with improved transportation systems and refrigeration, it was not long before dairy farmers felt the effects of stiff competition from other provinces. Newfoundland milk prices were 50% to 75% higher than in any other Atlantic Province and the external competition almost wiped out the local industry. High prices forced consumers to seek alternatives to fluid milk, thereby increasing the dependency on reconstituted and canned milk products further. Once again, producers were forced to decrease production levels, which drove many of them out of business and raised the prices of milk further.

In the early 1970s, the number of dairy farms dropped from 75 to 55 within a three-year period. Local milk production increased over the decade, but at a rate slower than milk imports. From 1975 to 1979, for example, local production increased by 16,000 hectolitres, but milk imports rose by 52,000 hectolitres. Imported milk could be transported and sold in the east-coast market at a price less than local milk: Nova Scotia producers were paid the industrial milk price for product destined for Newfoundland, while Newfoundland producers received a price negotiated with the processors. Because east-coast producers could not satisfy market demand and west-coast producers had excess supplies, surplus milk was transported from the West to the East Coasts at times when imported milk was in short supply. This transfer was costly and the quality of the milk when it eventually reached east-coast consumers was somewhat doubtful. Even the milk which came in from the Maritimes was subject to spoilage.

By the early 1980s, the marketing of milk was a serious problem. There was no guarantee of a regular supply of milk for the dairies or consumers, nor was the quality of product consistent. Local producers were supplying about one half of the province's requirements, but the prices they were paid for their milk could vary from week to week. Between 1979 and 1983, the local farm gate price had increased by 50% from \$40.77 per hectolitre to \$61.82 per hectolitre — a rate which was unprecedented and which did not necessarily bear any relationship

³¹ W. E. Cormack, *Narrative of a Journey Across the Island of Newfoundland in 1822*. The first large commercial farm on the west coast was established at the Second (Middle) Barachois River in the 1700s by James and Ann Hulan, ancestors of the Task Force Chairperson. It is interesting to note that the earliest recorded agricultural research in Newfoundland and Labrador was also carried out by Ann Hulan, who developed — among other products — two varieties of potatoes, one of which is still available.

to the cost of imported milk.³² The wholesale and retail prices of milk also had a tendency to fluctuate, depending on farm gate prices, market conditions and other variable factors. By 1983, through the determination of farmers and with guidance by the provincial and federal governments, supply management was introduced to the province's dairy industry and the Newfoundland Milk Marketing Board was created.

The primary purpose of establishing a supply management system of regulation was not to protect the industry from outside competition for the sake of providing local farmers with a captive market, but to bring some measure of order and stability to the production, processing and sale of milk in Newfoundland and Labrador. The Board would have the power to control the production of milk in the province through an established quota scheme and to regulate the flow of milk supplies within the province and between Newfoundland and other provinces. This would allow for the harmonizing of domestic and imported milk supplies at all times of the year. The Board's authority to set milk prices at the producer, processor and retail levels would allow the industry to maintain fair rates of return on their investment as well as to stabilize consumer milk prices. Therefore, promoting local milk production in this manner would ensure a measure of provincial security of supply, thereby benefitting the industry through enhanced production and consumers through a guarantee that supplies of fresh, wholesome milk would always be available at a reasonable and set price.

The Importance of Milk Pricing Issues

In the last five years, the local dairy industry has received more public attention than any other agricultural industry, primarily because of the prominence in the press of issues related to the pricing of fluid milk. The introduction of supply management in 1983 received very little publicity and for three years dairy producers made significant headway in increasing their market share for fluid milk in this province. Even an increase of \$10 per hectolitre between April 1, 1983 and April 1, 1986 in the producer (farm gate) price of milk did not spark much public reaction; the 1986 decision of the Newfoundland Milk Marketing Board to impose a minimum retail price for milk certainly did hit the headlines. The Board's directive prevented retailers from selling milk below an established price; 2-litre cartons of milk could not be sold for less than \$2.29. This meant that milk could no longer be offered "on special" and, therefore, consumers would pay more overall for their fluid milk requirements.

Individuals and groups representing the interests of consumers rallied against this decision on the grounds that it took from the marketplace the principle of competitive pricing of a vital food product. During the public outcry over the minimum retail price directive it became well known that milk in Newfoundland and Labrador was already priced higher than in other provinces and that the producer-run Milk Marketing Board had the power to regulate milk prices

³² The price of milk at the farm gate level is normally expressed as dollars per hectolitre (\$ per hectolitre). However, because the cost-of-processing study expressed the dairies' expenses and revenues on a dollars/cents per litre basis, sometimes the farm gate price is converted to this measure. Retail prices are always expressed in dollars/cents per litre. A hectolitre equals 100 litres; therefore, \$100 per hectolitre equals \$1 per litre.

at the farm gate, processor and retail levels. Thus, the ability of the local industry to produce milk efficiently and competitively was brought into question for the first time since supply management was introduced.

The media and consumers' groups also highlighted the fact that there was no opportunity for public scrutiny of the rationale for any pricing decisions ordered by the Board. The minimum retail price directive, in which neither the public, the processors nor the retailers had any formal input, was seen as the result of producers acting solely to protect their own interests, and the Board was considered secretive and self-serving. This single issue severely damaged the industry's credibility in the eyes of the media and the general public to the extent that each subsequent proposal to increase the price of milk received significant media attention, most of it directed against the industry.

A series of other questions concerning the operation of the dairy industry, all related to milk pricing, also surfaced in the years following the 1986 minimum retail price dispute: How much has supply management increased the retail price of milk to consumers? Does the fact that there are only two dairies processing milk in this province, both of them owned by Nova Scotia producer co-operatives, affect retail prices through price fixing, gouging or external decision-making? How do the incentives paid by the processors to retailers affect the price consumers pay for milk? The combined effect of these questions added to the public's scepticism about the benefits of promoting a local dairy industry.

A month before the Task Force was announced in October 1989, the Newfoundland Milk Marketing Board had proposed raising the price of fluid milk at the producer and processor levels by \$1 and \$2.5 per hectolitre respectively (1¢ per litre and 2.5¢ per litre), effective on December 1. This increase was the subject of so much adverse public criticism that an appeal was launched against the farm gate increase, and the \$1 per hectolitre raise was deferred. The Minister of Forestry and Agriculture established a tribunal to hear the appeal and requested the Task Force to pay special attention to the dairy industry during its deliberations.

On November 30, 1989, the Task Force presented to the Minister a report on the scheduled milk price increase. The general conclusion was that, based on the evidence collected in the short period the Task Force was in operation, the proposed price increases for both producers and processors appeared to be warranted. The rate of increase in the price of milk had lagged behind increases in the cost of inputs for farmers and processors during 1988 and 1989. It had been 22 months since there had been a raise in the farm gate price and 15 months since the last increase in the processors' milk price.

The Task Force noted in its report that the lack of accurate cost-of-production data for the dairy industry meant that the proposed price increase could not be evaluated with respect to specific producer and processor costs. It was imperative that this deficiency be rectified as soon as possible by acquiring detailed COP data at the producer and processor levels before any further price increases were contemplated. The industry itself agreed that comprehensive COP studies should be made during 1990 and that prices should not be subject to further increases until the studies had been completed. However, early in 1990, the tribunal which was established to hear the appeal against the December 1, 1989 farm gate price increase, not only ruled in favour

of the producers by ordering the \$1 per hectolitre increase, but also directed an additional \$2 per hectolitre to be added to the farm gate price. In response, the Newfoundland Milk Marketing Board voluntarily deferred this increase until October 1, 1990, to allow the Task Force the opportunity to complete the COP study. The processors refrained from any wholesale price increase until October 1 for the same reason, despite losses in 1989. In September 1990 the Task Force presented the Minister of Forestry and Agriculture with another report on milk pricing, the tenor of which was similar to that of this chapter on the dairy industry. This report was much more detailed than the November 1989 report and it outlined for the Minister the range of issues associated with the dairy industry in general and milk pricing in particular. On October 1, 1990, the Board approved an increase in the farm gate milk price of \$2 per hectolitre, as ordered by the tribunal, and a corresponding \$1.5 per hectolitre increase at the processors' level.

The Task Force believes that in the seven years since supply management was introduced the dairy industry in this province has grown and developed into a progressive and valuable contributor to the agrifoods sector. The industry now produces virtually all of the fluid milk requirements of the province's population, and this ensures that milk purchased through retail outlets is fresh, wholesome and available in sufficient quantities to satisfy demand. The value of the industry for revenue generation, employment and regional stability is not in doubt, particularly as neither dairy farmers nor processors rely to any degree on government subsidies. The dairy industry can also legitimately claim that farms producing fluid milk in Newfoundland and Labrador are among the most efficient in the Atlantic Provinces in herd size and yield per animal unit, for example, and the two dairies are more efficient in their milk processing operations than are their Maritime counterparts.

The Task Force strongly supports the development and promotion of the local dairy industry. In so doing, it also recognizes the validity and importance of the concerns which have been raised by consumers' groups, the media and the public regarding milk pricing and industry regulation. Some of these concerns can be eased through a better understanding and full discussion of the overall contribution made by the dairy industry in Newfoundland. Other concerns must be addressed by the industry itself through a strategy aimed at improving efficiency and reducing input costs at both the producer and processor levels.

Supply Management

For 20 years, supply management has been a cornerstone of Canadian dairy policy and the federal government has recently reiterated its support for the principle.³³ Originally developed to provide stability in the industry and generate adequate returns to farmers and processors, supply management allows for the control of both domestic production and foreign imports and for an administered pricing system which establishes support prices for producers and processors. These mechanisms are implemented to maintain important national policy objectives: balancing the demands for milk according to butterfat content, regional sharing of milk production and processing, and ensuring stable returns based on costs of production to both farmers and

³³ *Growing Together.*

processors. The system has been successful at the national and provincial levels in reducing producer and processor risk and providing market security in the provision of perishable dairy products. Supply management has allowed the industry to adjust to changing circumstances, as shown by the trend towards higher productivity gains and fewer, but more efficient, production units. The general conclusion within the agricultural industries is that supply management has served the nation's dairy industry well over the last two decades. However, processors and consumers may not be quite so positive about its accomplishments.

Concerns have been expressed about certain aspects of supply management systems generally, and of dairy industry regulation in particular. Some of the more general concerns over supply management will be addressed in Chapter 9 on Marketing. However, with respect to the Canadian dairy industry, the capitalization of benefits into high quota or land prices has been raised frequently as an issue because this form of capitalization is thought to increase producers' costs of production, which in turn increases milk prices for consumers. Similarly, interprovincial conflict caused by allocations of the national quota and the emphasis on production controls rather than on market development policies provoke criticism across the country.

Consumers, of course, question the price levels of dairy products in Canada compared with those of other countries. The price differences raise questions about the pricing power of supply management agencies, the validity of COP formulae, the price of supply-managed commodities to other processors, the butterfat basis for subsidy payments, a perceived lack of responsiveness by the industry to consumer trends, and the inflexibility of quota allocation schemes. Despite the fact that dairy processors receive price supports for some of their products, they often blame supply management for the high prices they are forced to pay for raw milk. Exported dairy-based foods must compete in the open market with products from other countries for which milk input costs are not regulated. Given the Canada-United States Trade Agreement and international negotiations aimed at liberalizing trade, dairy processors in Canada see themselves becoming less competitive in both domestic and foreign markets.

These factors, and several others, have been cited as contributing to the creation of what is regarded by some as a highly regulated, production-oriented, Canadian dairy industry with structural inflexibilities and a lack of competitive focus. Some of these criticisms have been levelled at the supply management system regulating the dairy industry in this province. As Newfoundland producers do not participate in the industrial milk marketing scheme some of these specific concerns are not relevant to them. However, it is true that supply management does interfere with dairy product market mechanisms, even in Newfoundland where the industry is oriented solely towards fluid milk production. Using supply management as a policy instrument is an anathema for many people who believe that it is only through a competitive market environment that growth and development can occur, productivity can increase, profits can be maximized and consumers' costs can be minimised.

The critics of the Newfoundland dairy industry argue that the present system promotes inefficiency as it eliminates external competition. Existing quota holders have little incentive to become more efficient since the regulated price will be adjusted by the Newfoundland Milk Marketing Board to match rising production costs and maintain profit levels. Thus, it is argued,

consumers pay higher prices for products than they would if supply management had not been introduced and inefficient enterprises stay in business when, in a truly competitive environment, they would be forced either to increase productivity or go out of business.

On the other hand, milk is a unique food commodity because of its health and nutritional properties, its versatility for use in food preparations and the limited options available for substituting it with other products. The introduction of supply management has stabilized milk prices by harmonizing production with market demands. This has allowed consumers to purchase continuous supplies of fresh milk at reasonable prices. As noted earlier in this chapter, by the early 1980s the province's dairy industry was in disarray. Between 1983 and 1990, after supply management was introduced and import restrictions on milk imposed, local milk production increased from 120,000 hectolitres to almost 300,000 hectolitres annually (see Figure 6.1), the local industry's share of the fluid milk market rose from 55% to almost 100% and the number of producers increased from 49 to 74.³⁴ There is no doubt that this increase in production and the attainment of provincial self-sufficiency in fluid milk is a direct result of the introduction of a supply management system for the dairy industry.

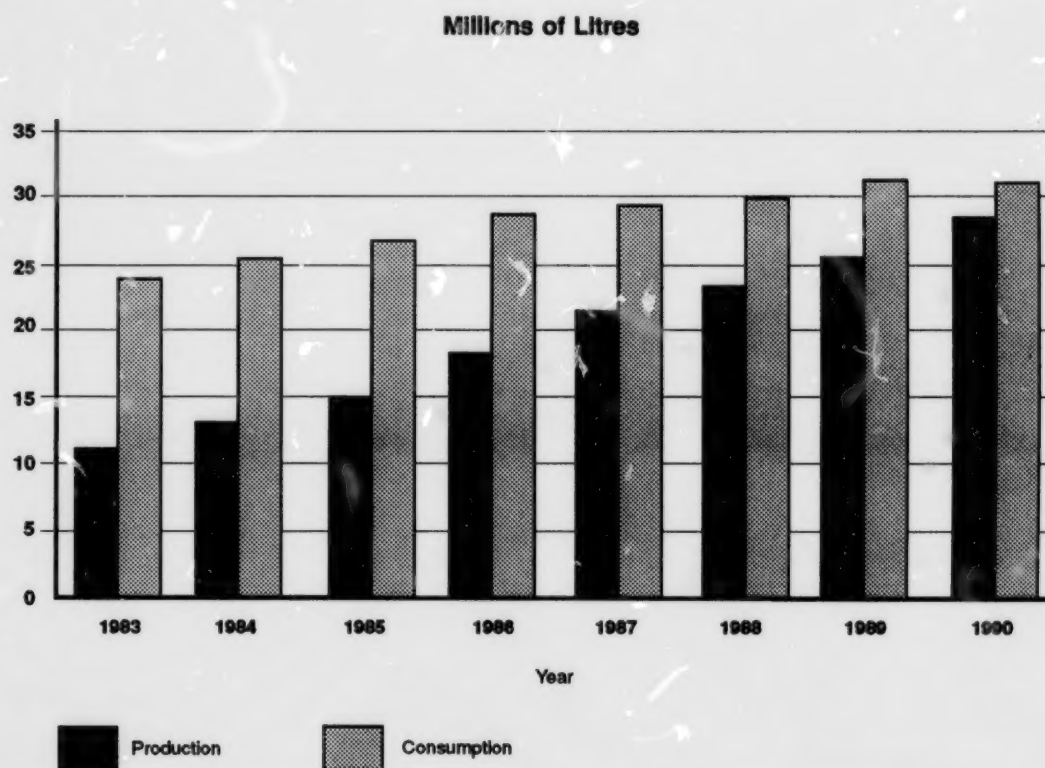
The question is whether this success has been achieved at the expense of consumers. Consumer groups suggest that if supply management had not been introduced in this province and the market for fluid milk was left open and competitive, fluid milk prices to the dairies, retailers and, ultimately to the consumers, would be considerably lower. This argument would appear to be supported by the data shown in Figure 6.2 which traces the farm gate price for milk in Nova Scotia and Newfoundland since 1971. In 1971, the farm gate prices for the two provinces were only \$4.50 per hectolitre apart, whereas in 1990, there was a \$15 per hectolitre difference.

It is argued that if supply management had not been introduced, the current price paid for raw milk by Newfoundland processors would have approximated the Nova Scotia farm gate price plus the cost of transportation. At the present time, the Newfoundland farm gate price is \$75.68 per hectolitre, whereas the Nova Scotia price is \$61.10 per hectolitre, and it costs \$11.50 per hectolitre to transport raw milk to Newfoundland. Therefore, the additional cost for Newfoundland processors to purchase local raw milk rather than Nova Scotia milk is \$3.08 per hectolitre. However, there is an agreement in place between the two Newfoundland-based dairies and Nova Scotia producers that establishes a purchase price for Nova Scotia milk at \$20 per hectolitre below the set Newfoundland farm gate price. Currently, this means that the price of Nova Scotia milk destined for Newfoundland processors is set at \$55.68 per hectolitre. Using this price, the difference between the Newfoundland farm gate price and the price paid by the processors for Nova Scotia milk (\$55.68 per hectolitre farm gate price plus \$11.50 per hectolitre for transportation) is \$8.50 per hectolitre. In other words, when the dairies purchase raw milk from Nova Scotia, their input costs are \$8.50 per hectolitre (or about 12%) lower than when they purchase raw milk locally. These statistics are outlined in more detail in Table 6.1.

If supply management did not prevent Newfoundland processors from purchasing imported milk, it is argued, they would be paying a minimum of between \$3.08 per hectolitre and \$8.50

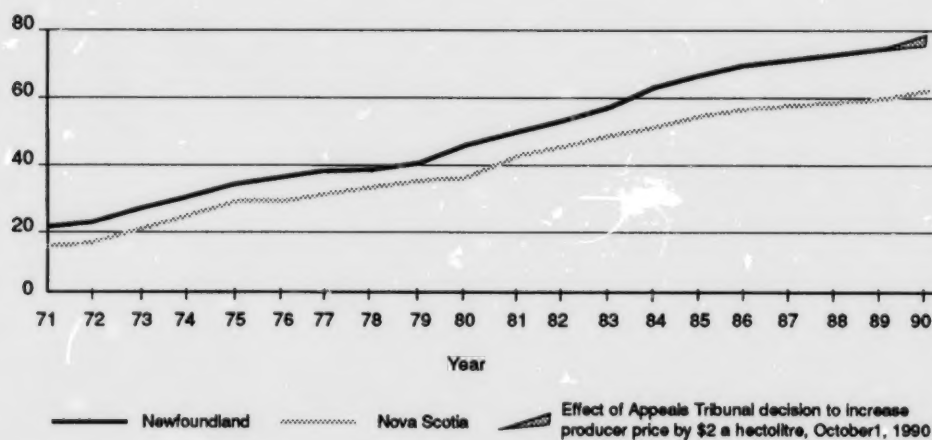
³⁴ In 1989, there were 74 dairy producers in the province, but in 1990 two ceased operations.

Figure 6.1
Production & Consumption of Fluid Milk
Newfoundland and Labrador 1983 - 1990



Source: Newfoundland Milk Marketing Board, 1990

Figure 6.2
Producer Price of Fluid Milk Comparison
Newfoundland and Nova Scotia 1971- 1990
\$ Per Hectolitre



Source: Newfoundland Milk Marketing Board; Nova Scotia Dairy Commission

Table 6.1
Cost of Producing and Transporting Milk from
Nova Scotia to Newfoundland October 1990

Farm gate	\$ per Hectolitre (1) (HL)
Newfoundland fluid milk price:	75.68
Nova Scotia fluid milk price:	61.10
Nova Scotia fluid milk price to Newfoundland processors under current agreement (2):	55.68
Transportation cost per HL to transport milk from Nova Scotia to Newfoundland:	11.50
Cost per HL to transport fluid milk from Nova Scotia to Newfoundland under current agreement:	
Farm gate price:	55.68
Transportation:	11.50
Total	<u>67.18</u>
Newfoundland farm gate price:	75.68
Total (above):	<u>67.18</u>
Difference:	<u>8.50</u>
Cost per HL to transport fluid milk from Nova Scotia without agreement:	
Farm gate price:	61.10
Transportation:	11.50
Total	<u>72.60</u>
Newfoundland farm gate price:	75.68
Total (above):	<u>72.60</u>
Difference:	<u>3.08</u>

(1) Hectolitre = 100 litres

(2) The current agreement between Newfoundland processors and Nova Scotia producers allows Newfoundland processors to transport fluid milk to Newfoundland at a farm gate price that is \$20 per HL lower than the current Newfoundland farm gate price. This agreement is in effect until July 1991 and may be renewed.

Source: Task Force on Agrifoods

per hectolitre less for their raw milk. This would mean that the price paid by consumers for a 2-litre carton of fluid milk would be 6¢ to 16¢ less than the current price (now averaging \$2.79 in chain retail stores). Over the course of a year, the 6¢ to 16¢ additional cost per 2 litre to consumers would represent between about \$1 million and \$2.4 million, given a local production volume of 300,000 hectolitres. These calculations are consistent with the estimates of the Newfoundland Dairy Processors' Association: the additional cost to them from purchasing local milk is \$5 per hectolitre, an additional cost to consumers of \$1.5 million a year. Consumers' groups suggest that these values represent the total consumer subsidy to the local dairy industry annually, a price they should not have to pay for such a vital food commodity.

The Task Force recognizes that there is a difference in the cost of using locally produced milk compared to imported milk from a neighbouring province like Nova Scotia. It also sympathizes with the claims put forward by consumer advocates and suggests that the local dairy industry has not been vigilant in addressing these concerns. Until they are addressed adequately, supply management in general and the dairy industry in particular, will continue to be criticized for promoting inefficiency in the industry, protecting high cost producers and ignoring consumer demands. However, there are several assumptions made in the arguments outlined above that lead to questionable conclusions which must be addressed.

The inference that supply management has caused the divergence between the Newfoundland and Nova Scotia farm gate price increases as outlined in Figure 6.2 must be challenged. A second glance at the graph reveals that the increase in the Newfoundland price relative to that of Nova Scotia occurred not after 1983 when supply management was introduced, but in the three-year period immediately prior to 1983. Between 1979 and 1982, the Newfoundland farm gate price rose from \$40.77 per hectolitre to \$57.77 – a \$17 per hectolitre increase over the period or almost \$6 per hectolitre annually. In the three-year period immediately following the introduction of supply management, the Newfoundland farm gate milk price increased by less than \$8 per hectolitre, or by less than \$3 per hectolitre annually. In the three years between 1986 and 1989, the producer price per hectolitre increased by \$4.25.

Moreover, while the producer price in 1983 changed twice in Newfoundland and three times in Nova Scotia, the price difference between the two provinces was \$14.45 per hectolitre. In 1990 this difference was \$14.58. Thus, over the seven years of supply management, Newfoundland's producer price has increased by 13¢ per hectolitre more than the Nova Scotia price. Therefore, it could be argued that supply management stabilized farm gate milk prices relative to prices in Nova Scotia.

The assumption that if supply management had not been introduced, Newfoundland processors would have been able to purchase cheaper Nova Scotia milk during the 1980s which would have resulted in lower retail milk prices also has to be challenged. It is almost certain that if supply management was not introduced in 1983, the local dairy industry would be in a tenuous position today. Some of the larger, more efficient producers might have remained in business, but local production levels by 1990 would probably have been significantly lower than they were in 1983 and much less than they actually were in 1990. In the early 1980s, local production was an insignificant proportion of the province's total fluid milk market and processors did not appear

to worry too much about paying local producers more than the imported price for milk. As they were paying Nova Scotia producers the industrial milk price for Newfoundland imports, the processors could afford to support the small local industry in this way. Therefore, local producers' ability to satisfy the province with its milk requirements would certainly have declined during the 1980s. Thus, the local industry would be virtually non-existent today, thereby creating a near-monopoly situation in Newfoundland and Labrador for Maritime Provinces' dairy producers.

This would have been an extremely unhealthy situation for the province to be in. There would be very little incentive for Maritime producers, or the processors they now control in Newfoundland, to operate competitively. It would almost guarantee that the raw milk price agreement between Nova Scotia producers and the Newfoundland processors now in effect (establishing a current purchase price of \$55.68 per hectolitre for milk destined for Newfoundland) would never have been negotiated. Processors would probably have been content to pay Nova Scotia producers the farm gate price or close to it, on the understanding that additional costs could be passed on down the line to consumers. As was the case before supply management was introduced, the cost of raw milk to Newfoundland processors might have been considerably higher than in the Maritimes and higher than today's cost of purchasing locally produced milk.

The assumption that the processors would have been as competitive and productivity-oriented as they are today has to be questioned. Significant productivity gains have been made by the dairies in the last few years, largely because wholesale price increases have not kept pace with rising raw milk costs. The two dairies remaining from the five operations of a decade or so ago have been caught in this price squeeze. With milk prices being regulated at the farm gate and wholesale levels, they have had to improve the cost effectiveness of their fluid milk operations in order to stay in business. If there had been no regulation of the industry and the provincial fluid milk market was controlled from the Maritimes, there probably would have been little incentive for the dairies to improve their operating efficiency as much as they have. Once again, the Task Force suggests that if the processors had been left with the ability to set the wholesale price and pass their costs on to retailers, and ultimately to consumers, the Newfoundland public might be paying more for their milk than they are now.

If Nova Scotia producers and their Newfoundland-based processors were operating a near monopoly for fluid milk whereby their profit levels were maintained through increases in milk prices, the retailers might also have demanded a larger share of the benefits from selling milk. As will be discussed later in this Chapter, the chain retailers in this province claim that their profit margins from the sale of fluid milk products (and the incentives they expect from the processors) are significantly less than for other food products and below the average for fluid milk retailing in other provinces. Thus, in a more open, market-driven environment for fluid milk sales, the retail price of milk could be significantly higher than it is now.

The Task Force has concluded that supply management has not been responsible for price increases. For the reasons cited, consumers would probably be paying as much, if not more, for dairy products, just as they do for most food purchases which are imported, unregulated and

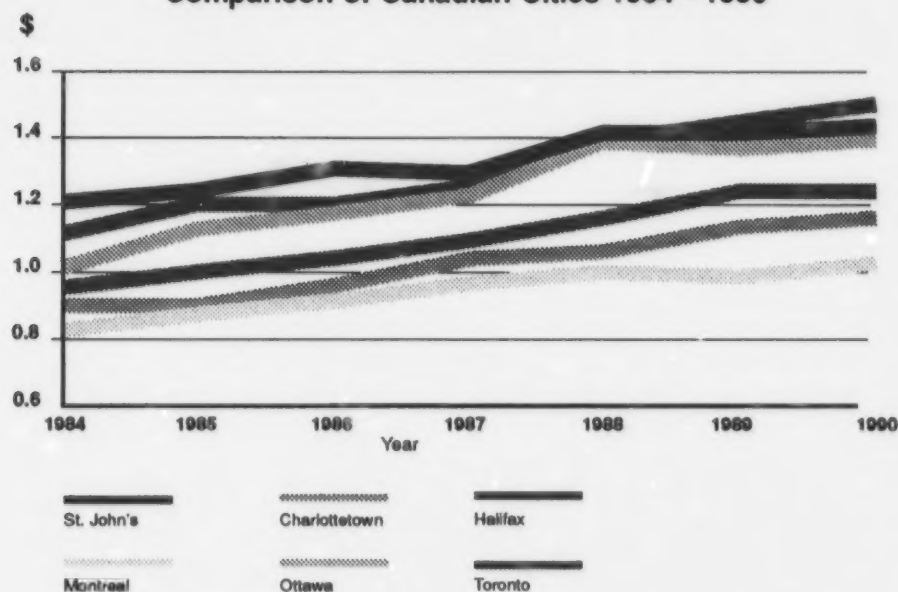
retailed at prices higher than in other parts of the country. Figure 6.3, for example, shows that although the retail price of whole milk in St. John's is higher than in some other Canadian cities, rates of increase in the last few years have not been out of step with increases in those cities. Also, Figure 6.4 shows that in the last few years, retail milk prices in St. John's have not risen as steeply as other food product prices, even though only a few food items are shown.

Even if the argument that consumers are paying a higher price for their milk under supply management than they would be doing under a market-driven system were found to be valid, would this necessarily be a strike against the local dairy industry? The Task Force believes that the economic benefits derived from the dairy industry outweigh the additional costs Newfoundland consumers are paying at the present time. Using the additional cost estimates noted above of between \$1 million and \$2.4 million annually, one sees that Newfoundland and Labrador consumers might be paying between \$2 and \$5 per capita per year extra to support a local industry. Without minimizing the difficulties experienced by low-income families in budgeting for nutritious food commodities like milk, this would appear to be a small price for the public to pay to maintain a vibrant and, more importantly, a growing industry which

- provides guaranteed supplies of fresh, wholesome milk at stable prices to the majority of the province's population;
- produces almost 100% of the province's fluid milk requirements;
- generates annual farm cash receipts of over \$18 million — receipts which are increasing in value at an approximate rate of 8% annually;
- generates over \$20 million of additional value-added processing activity in the two dairies;
- provides hundreds of jobs on-farm in rural communities suffering from high unemployment; and
- generates additional revenues and employment in feed mills, equipment sales, repairs and construction, transportation services, etc.

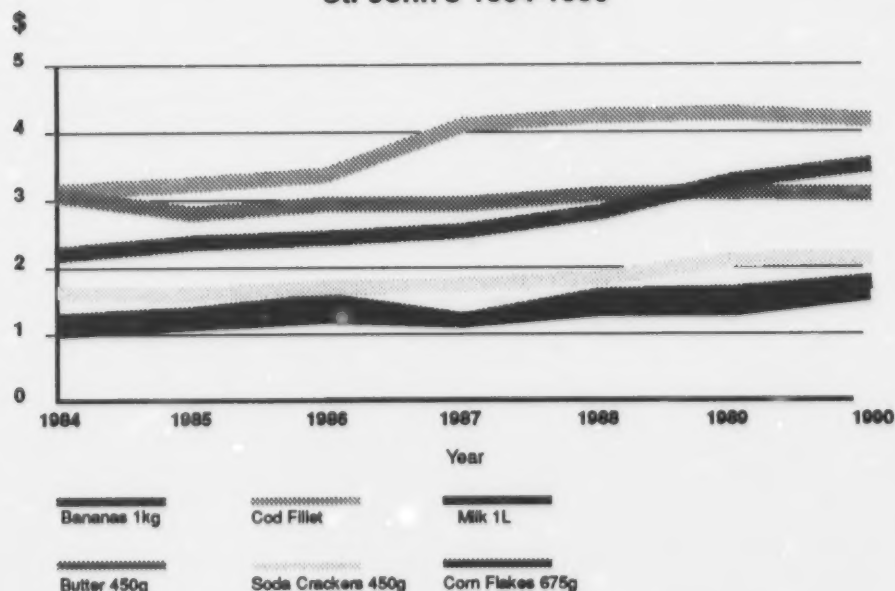
The Task Force also has difficulty with the contention that supply management automatically means that the industry does not pay attention to efficiency, productivity or market signals. The casual assumption that if producers are guaranteed a price for their product, they will be satisfied to receive their annual revenues without attempting to increase their net profits by reducing input costs, employing better farm management practices or increasing yields, etc. is somewhat insulting to an industry which has struggled against considerable odds to carve out a niche for itself. Even though producers are guaranteed a return under supply management and are shielded from external competition, there are still incentives in the system for them to become more efficient. Dairy farmers are entrepreneurs and, therefore, they strive to maximize their returns as do all other businesspeople who run enterprises in which they have invested considerable funds, time and effort. The processors have also increased their productivity levels over the last seven years to the point where they are probably the most efficient milk processors in Atlantic Canada. Moreover, these productivity gains have been achieved without annual government subsidies for price maintenance or income stabilization, and public investment in the industry has

Figure 6.3
Retail Price of Whole Milk - 1 Litre
Comparison of Canadian Cities 1984 - 1990



Source: Statistics Canada, 21-001, 1990

Figure 6.4
Comparison of Average Retail Prices
St. John's 1984-1990



Source: Statistics Canada, 62-010, 1984 - 1990

almost exclusively been directed towards improving farm efficiency, productivity and product competitiveness.

The criticism that supply-managed industries are not responsive to the marketplace cannot be supported either. This view is, of course, more relevant to the processors, as farmers usually sell all of their raw milk to the dairies for processing, so marketing is not really an issue with them. Nevertheless, the Milk Marketing Board does co-operate with the dairies in certain marketing initiatives. However, the dairy industry across the country has shown that it can be highly responsive to the marketplace, for example, in the major modifications made to its product lines in response to consumer concerns about high-fat dairy products. Not only has the industry geared its production towards 2% milk from whole milk with 3.25% butterfat content, but skimmed milk and 1% milk are offered regularly in most grocery stores. Moreover, yoghurts, cheeses and other products are also available in low-fat or "diet" forms and unsalted or reduced salt foods, such as butter, are now commonplace. Most of these innovations have occurred in the last decade and the Newfoundland industry has at least kept pace with the national industry.

The national supply management system for industrial milk and the provincial systems oriented towards the fluid milk industry have evolved over the years in a manner that allows them to be tailored to regional needs and responsive to changing environments. The federal government is reviewing its own dairy policy at the same time as international discussions are bogged down over national subsidies. It is conceivable that some of the policies, programs and structures inherent in all supply management systems in Canada may undergo some modifications in the years ahead. The dairy industry might be the first target in the federal government's desire to convince the international community that Canadian agricultural industries operate competitively and fairly in the marketplace. It is imperative that the Newfoundland dairy industry pay attention to these national and international trends and adjust its policies and practices accordingly. In particular, all components of the industry must do a much better job at informing the public about their structure and operations in order to eliminate the criticisms against supply management.

The Task Force therefore recommends that

70. the supply management system for regulating the dairy industry be retained on the basis that only through harmonizing milk supplies with demands, and setting prices accordingly, can consumers be assured of purchasing high quality, wholesome fluid milk products at stable prices.

Production, Consumption and Nutrition

The per capita consumption of fluid milk in Newfoundland is 57 litres per capita per year, still only half the national average, despite the rapid development of a local dairy industry over the last decade and a significant increase in fluid milk consumption of about 20 litres per capita during that period. The per capita consumption of fluid milk is believed to approximate 100 litres per capita per year in the St. John's area (this being very close to the national average), while

in rural areas it is estimated at an astonishingly low level of about 25 litres.³⁵ Fresh, fluid milk is a staple food and an extremely versatile and nutritious commodity, but much of the population of Newfoundland and Labrador uses powdered or canned milk products.

Newfoundland has the highest per capita consumption of canned evaporated milk in the country and this is causing considerable concern within the health care sector. For example, several physicians in rural Newfoundland are currently campaigning against the use of evaporated milk for feeding babies, claiming that up to 50% of their patients may use evaporated canned milk regularly for this purpose. Even the manufacturers publicly recommend against this practice, agreeing with the medical profession that canned milk fed regularly to babies and infants may lead to obesity and kidney disease.

It is well recognized among health care professionals that milk and other dairy products are valuable dietary commodities providing basic nutrients required for healthy living. All other provinces have spent considerable effort in promoting the dietary benefits of dairy products and encouraging increased consumption of fluid milk. The Task Force is aware that Newfoundland and Labrador has a higher incidence of health problems related to poor dietary habits, some of this attributable to a deficiency of fresh milk in diets. This is particularly disturbing in relation to the younger generation who, at one level, have better access to fresh, nutritional foods than did their parents. Alternatively, until Confederation, Newfoundlanders and Labradorians maintained high protein diets based on fish and meat; locally produced milk was readily available in many parts of the province. This altered with the expansion of the North American food-distribution system and the widespread availability of convenience foods.

Higher rates of unemployment in Newfoundland, coupled with lower disposable incomes compared to those elsewhere in Canada, also limit the amount Newfoundlanders can spend on basic food items. These points were expressed at the St. John's public sessions by the Newfoundland Public Health Association, the Newfoundland Dietetics Association, the Group Against Poverty and others. The availability and price of milk, when weighed against what consumers can afford, is of considerable concern to the Task Force. Therefore, the Newfoundland dairy industry, supported by governments, should continue to promote the health value of fresh milk and other dairy products. At the same time, it should be recognized that there is an international trend towards butterfat-reduced dairy products. Therefore, the industry should set its sights not only on promoting its products, in order to increase per capita milk consumption levels, but also to accommodate consumers preferences for low-fat products.

Newfoundland is the only province in Canada without a school milk program. A program for providing cheap milk to school children throughout the province was close to being implemented in 1989 before the provincial general election. There is mounting pressure for such a program to be introduced in the near future and the local dairy industry is one of the strongest advocates. Producers agreed to contribute 0.5¢ per litre from their total fluid milk production as of January 1, 1991 and a further increase of 0.5¢ per litre later in 1991. These funds, totalling about \$300,000 annually, would be used to assist in the funding of a provincial school milk

³⁵ Estimates provided in the Dairy Processors' Association's brief to the Task Force.

program. This action is viewed as a very positive step and the industry is to be commended for taking a lead role. This program should lead to an increase in overall milk consumption and, therefore, benefit producers and processors through increased fluid milk production well into the next century. More importantly, perhaps, the nutritional benefits of fresh milk will be taught to young Newfoundlanders and Labradorians, thereby improving diets and physical health.

The Task Force believes that a school milk program will ensure that milk is available in schools, low in cost, fresh, properly refrigerated and well presented. The program, sponsored jointly by the industry and government should accommodate low income families who might not be able to afford even subsidized milk by offering further subsidies to students from disadvantaged families.

The Task Force therefore recommends that

71. as part of a strategy to raise milk consumption levels, government and the Newfoundland dairy industry establish a school milk program so that all children can purchase fresh milk at reduced prices.

The Dairy Producing Industry

The farming community in Canada has taken the brunt of criticisms associated with food prices. There appears to be a belief that food is a vital product which should be inexpensive to consumers regardless of the cost to those who produce the food. This belief is expressed in critical comments concerning farmers who drive luxurious cars or who vacation each year in Florida. Farming is seen not really as a business, but as an activity to serve the public good. It must be said, however, that this view is not normally expressed by most organized consumer groups. The Consumers' Association of Canada, for example, clearly stated in its brief to the Task Force that while it questioned the benefits of supply management in the dairy industry, it fully supported the right of producers to strive towards earning fair returns on their labour and investment.

The public criticism of a proposed milk price increase at about the time the Task Force was established and the absence of detailed cost-of-production data for the province's dairy industry led the Task Force to contract the services of two management consulting firms to conduct studies of the returns from fluid milk production for 1989 at the producer and processor levels. The objectives of the producer level study were to determine the costs associated with producing fluid milk on farms, to determine the returns to the industry and to develop a method whereby the COP could be regularly updated in an equitable and verifiable manner. The study required a complete survey of all milk producers in the province, thereby avoiding the risk that a sample of producers, however chosen, might be considered non-representative. A COP study which uses the entire dairy farm population is unprecedented in Canada; however, with only 74 dairy producers located in several regions throughout the province in 1989, a total population survey eliminated sampling errors.

As with all similar COP studies, the consultants eliminated from the final analysis, data pertaining to the least efficient producers in the sample. In this instance, the results obtained from

the bottom 30% of producers were removed in order that the final COP figures would not be unduly skewed and, as a result, would not reward inefficient operations. In so doing, the Task Force and the consultants recognized that there is considerable debate across Canada over removing only the bottom 30% of the sampled population. It appears that several jurisdictions may choose to remove 40% or even 50% of the sample in order to deal with criticisms that the COP methodology (the basis for setting farm gate milk prices) should reflect the costs of only the most efficient producers. In future, government may wish to consider this approach in updating the Newfoundland farm gate COP data.

The pricing study conducted by the Task Force used a methodology for identifying producers' costs and returns similar to that of COP studies undertaken in other jurisdictions. However, some improvements were made on the methodology used in a previous dairy study of the Newfoundland dairy industry in the mid-1980s. For example, the consultants adopted a superior method for estimating certain non-cash components, such as returns on equity, management fees and labour.

Even with these improvements, the Task Force questions the degree of subjectivity surrounding the estimation of farmers' non-cash costs. It must be noted that this is an issue that arises in all COP studies which estimate the value of certain integral non-cash costs. It is a concern that is shared by the consultants and by all governments which have commissioned similar COP studies. However, these non-cash cost components must be determined to ensure farmers receive a fair return on their products.

Producers' Costs of Production The producers' COP study concluded that

- the average total COP for 1989, for the most efficient 70% of producers including cash costs and estimates of non-cash costs, was 85.10¢ per litre;
- the calculated total cost was 12.42¢ per litre above the set farm gate price of 72.68¢ per litre for fluid milk in 1989 implying that while the most efficient 70% of dairy farmers, on average, were not out of pocket, the majority received only minimal returns on their total investment;
- the average cash cost of producing a litre of fluid milk in 1989 was 61.13¢ which is 11.55¢ per litre below the set farm gate price of 72.68¢ per litre for the period from January to November 1989. Therefore, on average, the most efficient 70% of Newfoundland producers earned positive cash returns in 1989 and the most efficient 10% to 20% accrued substantial returns;
- 3,800 hours of work (that is 10.5 hours per day, 7 days a week) over the year were performed on average by Newfoundland dairy farmers;
- \$389,000 in assets were employed and \$217,400 in equity were accumulated on the average dairy farm;
- an average of 406,000 litres of milk was produced on each farm.

The COP data are summarized in Table 6.2.

Table 6.2
Average Total Cost of Producing a
Hectolitre of Milk on Farm
Newfoundland and Labrador 1989

The total or full cost of production to produce 1 hectolitre of fluid milk for the top 70% of dairy producers in the province for 1989

	\$ per HL	
Direct fluid milk expenses:		
Dairy labour and benefits	8.12	
Dairy feed	21.36	
Dairy livestock purchases	7.46	
Forage expense	7.86	
Other direct factors	7.12	
Total Direct Fluid Milk Expenses	51.92	51.92
Indirect expenses	5.31	
Administrative	1.22	
Interest	4.01	
Depreciation	4.84	
	15.38	67.30
Miscellaneous sale	(2.01)	
Herd size adjustment	(4.16)	
Total Adjusted cash costs and depreciation	(6.17)	61.13
Unpaid owner/operator and family labour	10.42	
Management fee	4.30	
Return on equity	9.25	
Total cost	23.97	
		85.10

Source: Task Force on Agrifoods, based on the study of the returns on Fluid Milk at the Farm Level, Doane Raymond, 1990.

In a variety of ways, COP studies can guide those who regulate commodity pricing. The calculated COP can act as an established base for price setting where a reasonable rate of return is built into the COP value; alternatively, price can be set below the actual COP value in order to encourage increased efficiency in production. Where the COP calculations include subjective assessments of a variety of costs, either by the respondents or the researchers, the COP may act more as a guide than a set value upon which to base prices.

The Task Force suggests that its COP study falls into the latter category: 23.97¢ of the total COP value of 85.10¢ per litre (that is, almost 30% of the full COP) are derived from estimates rather than from verifiable cost data. Furthermore, the Task Force cannot conceive of, and strongly advises against, the farm gate price for fluid milk being raised to the calculated COP

value of 85.10¢ per litre, or anywhere close to it. The impact on the price of milk to consumers would be astronomical and such a price would be so far out of line with equivalent prices in neighbouring jurisdictions that it would bring the dairy industry into disrepute. Dairy farmers elsewhere in Canada receive either the full COP or close to the COP for their fluid milk sales. Therefore, it appears that dairy farmers in Newfoundland are receiving significantly lower returns compared to dairy farmers across the country. However, a significant portion of milk production on the mainland is sold as industrial milk at much lower prices. As a result, the overall returns to farmers are significantly lower than those calculated in the fluid milk COP studies.

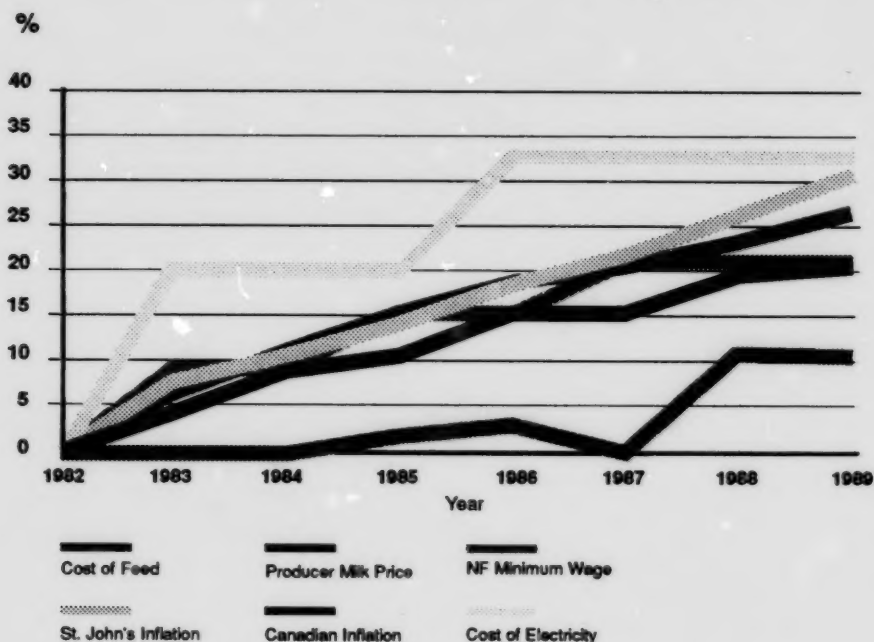
The COP study concluded that milk produced in Newfoundland should be priced as aggressively as the market will bear, and using the cost of bringing in fluid milk from another province — namely Nova Scotia — as a guide. The Task Force believes that, given the current price of milk in the province, adverse public reaction will follow any decision by the Milk Marketing Board to increase the price of milk if those costs are to be passed on to consumers. The Task Force is aware, however, that consumer groups do not oppose valid and reasonable price increases and, as Figure 6.5 indicates, milk price increases over the last few years have not kept pace with increases in the cost of living, nor with cost increases in several of the key inputs to the dairy industry. Consumers object more to the secretiveness of the decision-making process surrounding these increases. They argue that the general public cannot assess the validity and reasonableness of milk price increases because the necessary information regarding the circumstances leading to the proposed increases is not made public, nor is there a forum provided for the public to present its views.

The Task Force does not believe that dairy farmers, or any other business people for that matter, have a right, or are automatically entitled, to any given rate of return from their investments. Rates of return are dependent on maintaining competitiveness and eliminating inefficiencies. This is particularly important in a supply-managed industry where, because producers are protected from external competition, inefficiencies are perceived to be rewarded by price increases whenever COP studies indicate producers are receiving negative returns. However, the significant gains that the province's dairy enterprises have made in viability and competitiveness should also be recognized and accommodated in any product pricing system. Therefore, the Task Force reiterates another basic concept expressed earlier in this report: dairy enterprises must be viewed as commercial enterprises guided by sound economic principles and business management practices, including the necessity to earn profits.

Competitive Pricing Policy One of the principles underlying the dairy studies conducted by the Task Force is that the industry attain a greater measure of viability and competitiveness over the short term. As a result, the farm gate milk price in this province should be no greater than the cost of importing milk from a neighbouring province; that is, the Newfoundland farm gate price should not exceed the combined cost of purchasing Nova Scotia milk and the transportation charge to bring that milk to Newfoundland processing plants.

Table 6.1, shown earlier, summarizes the differential between the farm gate milk price in Newfoundland and the cost of producing and transporting Nova Scotia milk to the province. The

Figure 6.5
Milk Price Increase Comparison
Cumulative % Basis Newfoundland 1983 - 1989



Source: Statistics Canada, 21-001, 1990

special agreement in effect between Nova Scotia producers and Newfoundland processors, allowing the dairies in 1991 to pay only 55.68¢ per litre rather than the set Nova Scotia farm gate price of 61.10¢, will be in effect until July 1991. Using this agreement price and the actual cost of 11.50¢ per litre to transport milk from Nova Scotia to Newfoundland, Nova Scotia milk can be delivered to Newfoundland's dairies for 67.18¢ per litre (55.68¢ plus 11.50¢). Thus, under the terms of an agreement between Nova Scotia producers and Newfoundland processors, the cost of producing and transporting milk from Nova Scotia (67.18¢ per litre) is 8.50¢ per litre less than the current farm gate price of 75.68¢ per litre in Newfoundland.

The argument could be made that the price under the agreement is an artificial one as it represents a special arrangement between Nova Scotia producers and two Newfoundland-based dairies which are owned by those same producers. Moreover, this agreement may not be renewed upon expiry in 1991. If the agreement price is ignored and the same calculation is performed using the Nova Scotia farm gate price, the cost of producing and transporting milk from Nova Scotia (72.60¢ per litre) is 3.08¢ per litre less than the Newfoundland farm gate price of 75.68¢ per litre. Despite the fact that the Nova Scotia dairy industry is more developed than that of Newfoundland, the 3.08¢ per litre differential is the maximum difference consumers in this province should be expected to pay to support a local dairy industry. Not only does this argument fit well with proposed principles of dairy industry viability and competitiveness, but it recognizes that as the local industry develops and becomes more efficient in the next few years, this differential can be eliminated without undue hardship to most dairy farmers.

A developing local dairy industry must incur certain up-front capital expenditures resulting in lower returns over the short term. Once the industry develops further, benefits will be realized through increased efficiency from economies of scale, better forage land-base development, increased knowledge of the industry and a reduction in long-term debt. It is the Task Force's contention that the first seven years of supply management in the dairy industry represented the period where up-front investments were constraining, but the benefits are now beginning to become apparent. The stabilization of the farm gate price of milk in this Province relative to that of Nova Scotia may be an indication of this, particularly since in the immediate pre-supply management period, annual increases in the producer milk price were extremely high.

Table 6.3 indicates that from 1983 to 1990 the Newfoundland farm gate milk price increased by \$15.85 per hectolitre, or 26.5%. Table 6.4 indicates that the Nova Scotia farm gate price increased from \$46.91 per hectolitre to \$61.10 per hectolitre — an increase of \$14.19, or 30.25% over the same period. Therefore, the difference in the increases of the two provinces' farm gate prices over the last seven years (at a time when the Newfoundland industry was in its developing stages) is insignificant; Newfoundland's farm gate price increase over that period has actually been lower if measured as a percentage. This conclusion is not inconsistent with the historical data discussed earlier.

Despite the above points, a comparison of the Newfoundland farm gate milk price with those of all other Canadian provinces reveals some disturbing information. As Figure 6.6 shows, Newfoundland's producer price is higher than that of Nova Scotia, but Nova Scotia's farm gate price is the second highest in the country. Only in Newfoundland and Nova Scotia do farm gate prices exceed \$60 per hectolitre, and Nova Scotia's price exceeds those of Alberta, Saskatchewan, Manitoba, Ontario and Quebec by a sizeable margin. The difference in the Canadian average farm gate price (excluding Newfoundland) of \$57.46 and the Newfoundland price is \$18.22 per hectolitre. Without considering processor and retailer level prices, this differential represents about 37¢ on a 2-litre carton of milk. These comparative data raise not only questions concerning the viability of the Newfoundland dairy industry, but the validity of using Nova Scotia as a benchmark for pricing.

Table 6.3
Producer & Wholesale Fluid Milk Price Increases
Newfoundland and Labrador 1983 — 1990

Date of Increase	Producer price \$ per Hectolitre*	Wholesale Price** 2%	Wholesale Price** Whole
April 1, 1983	59.83		
April 18, 1983	62.43		
April 1, 1984	64.43		
March 1, 1985	66.43		
April 1, 1986	69.43	2.38	2.43
April 1, 1987		2.44	2.49
January 30, 1988	72.68	2.52	2.57
August 5, 1988		2.61	2.66
December 1, 1989	73.68	2.68	2.73
October 1, 1990	75.68	2.75	2.80

*1 Hectolitre = 100 Litres

**\$ Per 2 Litre Carton

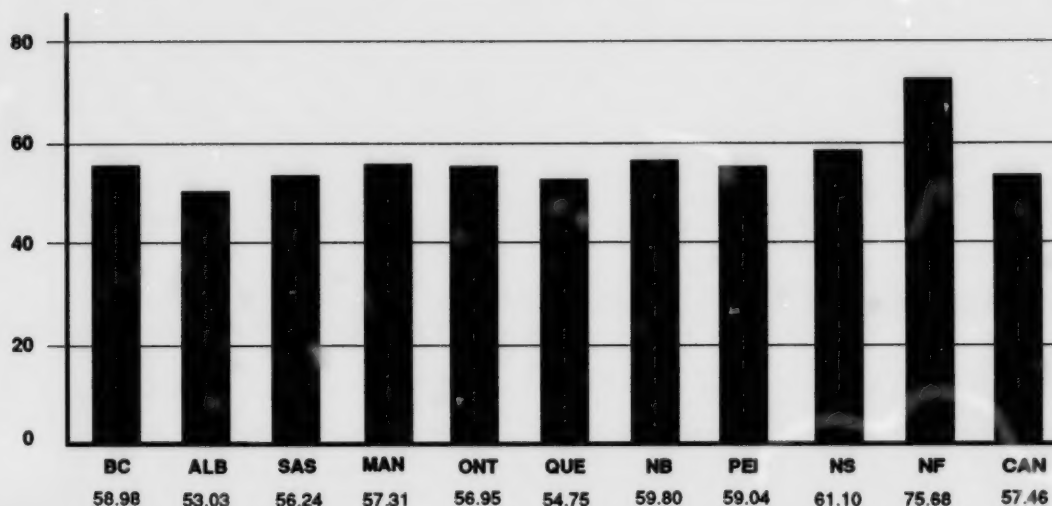
Source: Newfoundland Milk Marketing Board

Table 6.4
Producer & Wholesale Fluid Milk Price Increases
Nova Scotia 1979 — 1990

Date of Increase	Producer Price \$ Per Hectolitre	Wholesale Price for Whole Milk \$ per 1 Litre Carton	Wholesale Price for Whole Milk \$ per 2 Litre Carton
January 1, 1979	33.19	0.60	1.20
August 1, 1979	36.19	0.61	1.22
March 1, 1980	38.19	0.66	1.32
September 1, 1981	40.19	0.70	1.40
April 1, 1982	45.19	0.71	1.42
August 15, 1982	46.69	0.785	1.57
December 1, 1982	46.69	0.815	1.63
January 1, 1983	46.91	0.815	1.63
August 22, 1983	47.91	0.825	1.65
December 1, 1983	49.41	0.84	1.68
January 27, 1984	49.41	0.90	1.80
August 26, 1984	51.41	0.94	1.88
May 26, 1985	53.66	0.98	1.96
December 29, 1985	55.41	1.02	2.04
December 28, 1986	57.70	1.07	2.14
January 1, 1989	58.70	1.18	2.36
September 3, 1989	59.85	1.22	2.44
August 26, 1990	61.10	1.27	2.54

Source: Nova Scotia Dairy Commission

Figure 6.6
Producer Price of Fluid Milk by Province
\$ Per Hectolitre October 1990



Newfoundland Farm Gate Price	\$75.68 HL
National Average Farm Gate Price Excluding Newfoundland	\$57.46 HL
Difference	\$18.22 HL
Difference in Farm Gate Price on a Two Litre Carton Basis	\$ 0.37 HL

Source: Task Force on Agrifoods, Direct Contact with Provincial Dairy Agencies

The Newfoundland farm gate price is considerably higher than those of many other provinces in Canada, but this may not really mean very much. First, almost all food items in this province are priced higher than in other parts of Canada, sometimes by more than the difference between the Newfoundland farm gate price for milk and the average Canadian price. Second, even if Saskatchewan, Alberta or even Ontario farmers are producing raw milk for \$15 to \$20 per hectolitre less than Newfoundland farmers, unless milk from those provinces can be transported to Newfoundland at a total cost less than the Newfoundland farm gate price, the comparison has little relevance to milk pricing in this province. Third, considering that feed costs are much higher in Newfoundland than in these other provinces, the fact that raw milk costs are only about 20% higher indicates a level of producer efficiency in this province. Nevertheless, the

farm gate price differential between Newfoundland and other provinces should help to define a principal objective for the industry: to narrow the gap between the cost of producing milk in this province compared to other provinces that will ultimately be reflected in equivalent retail milk prices.

Land Development and Feed Costs The principal reason that costs to Newfoundland producers have increased more than those of their Nova Scotia counterparts is the higher cost of imported feed (see Table 6.5). Newfoundland dairy producers are not as self-sufficient in forage as farmers in the Maritimes and this is reflected in their overall cost structures. This point is further illustrated in the COP study data which showed that those producers who have an adequate land base are the most efficient: they incur the least costs and accrue the greatest returns.

Table 6.5
Difference in Dairy Feed Expense
Newfoundland & Nova Scotia October 1990

Newfoundland farm gate milk price	\$ 75.68 HL
Less Nova Scotia farm gate milk price	(61.10)
Less all factors except feed	(5.74)
Difference in feed expense	\$ 8.84 HL
Newfoundland dairy feed expense	\$ 21.36 HL
Newfoundland dairy feed expense as a % of farm gate price	28.2%
Nova Scotia dairy feed expense	\$ 12.52 HL
Nova Scotia dairy feed expense as a % of farm gate price	20.5%

Source: Task Force on Agrifoods, based on the study of the Returns on Fluid Milk at the Farm Level, Doane Raymond, 1990.

Over a very short time period, the development of the land base and improved productivity would lower costs to farmers, increase the rates of returns throughout the industry, bring the Newfoundland producers' COP more in line with their Maritime neighbours and slow down the rate of increase in the price of milk to consumers. The Task Force proposes that government assist producers by setting aside funds for increasing the forage land base of those farmers who have the potential for producing milk at a lower COP. This program should not only cover clearing new land, but be aimed at improving the productivity of existing land. The necessary funding for such a program might be established through a new Atlantic Livestock Feed Initiative (ALFI) agreement. Negotiations for a new ALFI are currently in progress and the Task Force

fully supports the co-operative efforts of the provincial and federal governments and industry to secure a new cost-shared arrangement to assist in forage development.³⁶

The COP study indicated that on the West Coast of the province, producers have a lower average COP, lower feed costs and a better land base than either those in the Avalon or Central region. As a result, it appears reasonable that future expansion within the industry should be concentrated in areas where the greatest efficiencies can be achieved, even though this would mean placing emphasis on dairy development in a region located far away from the principal markets on the Avalon Peninsula.

A commitment on the part of government, together with the commitment by producers to keep raw milk prices to a minimum while improving efficiency, is fully consistent with the basic principles outlined to guide the entire agrifoods sector. As a result, it is expected that by the end of 1992, with a new regulatory framework in place and a strategy to reduce external feed dependency, the cost of producing milk in Newfoundland will be comparable to, or lower than, the cost of producing and transporting milk from Nova Scotia. Beyond 1992, the industry should have as its target, a further reduction of costs (and farm gate milk prices) more in line with those incurred by Nova Scotia producers and closer to the national average. (These target levels are outlined in more detail later in this Chapter.)

Secondary Processing Dairy farmers are now at a crossroads in the future development of their industry. They have increased production levels significantly over the last decade and have captured almost the entire Newfoundland market for fluid milk. Thus, the industry has achieved its goals established when supply management was introduced. However, as Figure 6.1 (above) shows, production levels are continuing to increase, but provincial consumption is flattening out. Unless consumption increases significantly over the next couple of years, producers will either be faced with an excess of supply or they will be forced to curb their output. An excess supply of raw milk cannot be accommodated over the long run as the dairies have already experienced difficulties in marketing Newfoundland surpluses in the Maritimes.

Promotional campaigns aimed at encouraging fresh milk consumption, coupled with the introduction of a school milk program, may lead to a short-term rise in per capita consumption. However, this consumption rate increase may not be sustainable over a long period of time. In a few years time, farmers may again be facing a situation where they are able to produce more milk than can be consumed. The critical issue for the producers, which has implications for the processing industry, is whether to be satisfied with only fulfilling the demand for fresh milk in this province, thereby limiting total production to consumers' needs or whether there is room for continued expansion beyond fluid milk self-sufficiency by entering the industrial milk market.

The Task Force believes that the industry has the capacity and the ability to go beyond self-sufficiency. This will entail producers making some hard decisions now. The rationale for this option is based on the fact that greater efficiency and productivity occurs as production levels

³⁶ The ALFI agreement is addressed in more detail in Chapter 12.

increase, both for producers and processors. Entry into the industrial milk market will require greater production volumes and lead to the diversification of the industry. The process may best be initiated by supplying fluid milk for basic products which are normally manufactured using reconstituted milk. The problem is that, by entering the industrial milk market, producers will have to accept lower prices for their raw milk.

The Task Force wishes to be clear on this point. In no way is it suggesting that the Newfoundland dairy industry immediately join the national industrial milk marketing scheme and plunge into the production of processed dairy products. The opportunities for starting up viable cheese, yoghurt or evaporated milk industries appear remote, given the current economics of milk production, competition from other parts of Canada and the limitations imposed by Newfoundland's market size. What is being suggested is that Newfoundland producers, in co-operation with the two dairies, should be taking a long-term view of their industry by adopting an objective that at some time in the future there will be a range of processed dairy products manufactured in this province using locally produced milk. It might be that small cottage industries producing specialty cheeses, creams and other products may be viable. The point is that such long-term objectives should be developed now while the industry is on an upswing, rather than reaching a point where the industry cannot expand because production levels have reached their maximum.

Dairy farmers in Newfoundland have been reluctant to establish an industrial milk price, as they are concerned that selling milk below the farm gate price would jeopardize their net revenues. For a part of 1990, the dairies agreed to use fluid milk in the manufacture of their chocolate milk product rather than using reconstituted milk. They paid producers \$55.68 per hectolitre (the same as the price paid by the dairies to Nova Scotia producers under their agreement) for milk destined for chocolate milk production. The Newfoundland Milk Marketing Board announced in mid-1990 that it would not continue this arrangement past October unless producers were paid the full farm gate price for the milk. The processors refused on the basis that they were not receiving adequate returns on the product even at the price of \$55.68 per hectolitre compared to when they were using reconstituted milk; to pay \$75.68 per hectolitre for raw milk used as input into chocolate milk was out of the question. Towards the end of 1990, the dairies went back to using reconstituted milk for the manufacture of chocolate milk and the short incursion of the Newfoundland dairy industry into a form of industrial milk production ended.

The Task Force believes that the Newfoundland Milk Marketing Board's decision to insist on the farm gate price for raw milk destined for chocolate milk production was a shortsighted and regressive step. The dairies considered the producers' decision to pull out of the agreement with them to be one made in bad faith, as twice in one year they were forced to change their chocolate milk manufacturing process, both times to accommodate producers. More important perhaps, at a time when the industry is approaching self-sufficiency, the decision to give up the opportunity to utilize 1.5 million litres of fluid milk in the production of chocolate milk and to be part of a small industrial milk production venture is regrettable. It shows that producers do not have their sights set on any goals that would take them beyond self-sufficiency. This decision could also add to the fluid milk surplus problem in coming years.

Quota Allocation With the dairy industry close to fluid milk self-sufficiency, the elimination of 1.5 million litres allocated to the production of chocolate milk and the apparent stable per capita consumption levels, the amount of milk quota currently distributed in the province is very close to the maximum. Given the relatively high price of milk in Newfoundland, the Task Force firmly believes that the Newfoundland Milk Marketing Board has a responsibility to the consuming public to distribute quota to producers who have the potential to produce milk at the lowest COP. Distributing quota to farms that can produce milk at a low COP, whether they be new entrants or existing producers, will help to ensure the long-term viability of the dairy industry.

Furthermore, there should be no maximum ceiling placed on the amount of quota that one dairy operation should be able to obtain, nor should the 60/40 split be cast in stone; that is, existing producers traditionally receive 60% of any new quota to be allocated and new producers receive 40%. From now on, quota allocation decisions should be based solely on sound business principles. Similarly, dairy farmers who deliberately produce more than their quota allocation should not be rewarded by receiving additional quota. This leads to instability in the entire quota allocation system as there is no deterrent built in that ensures producers abide by the rules. The Task Force believes overproducers should be penalized as is the case in all other jurisdictions.

The Task Force therefore recommends that

72. the principal objective for the industry regarding pricing be the elimination of the differential between the cost of importing Nova Scotia milk and the Newfoundland farm gate price;
73. a principal strategy element for achieving greater cost efficiencies by dairy producers be oriented towards increasing the total acreage of land devoted to forage and pasture and improving current forage yields and quality. Government should assist the industry in achieving forage self-sufficiency by providing financial assistance for land development and improvement;
74. expansion in the Newfoundland dairy industry be encouraged in all producing regions, but priority should be given to the West Coast where there is considerably more potential for developing the land base;
75. the Milk Marketing Board negotiate an industrial milk price with Newfoundland processors in order that, over the short term, fluid milk could be used in the manufacture of chocolate milk and, over the long term, an industry be developed for processed dairy products;
76. all producers, rather than only those who are overproducing, be involved in supplying fluid milk to the processors at a negotiated price for the manufacture of chocolate milk. Thus, all producers would receive what is, in effect, a blended price for their milk which would be slightly lower than the farm gate price;
77. in the short term, there be an immediate freeze on the distribution of new dairy quota, except for emergency or hardship cases, until consumption increases to accommodate new production; and

78. information on production volumes and quota allocations for all dairy farm enterprises in the province be public information.

The Dairy Processing Industry

In the 1980s, there were five processing companies operating in Newfoundland, all owned and controlled locally: in Corner Brook, Lewisporte, and three in the St. John's area. Buy-outs and amalgamations have reduced the number of dairies from five to two in less than a decade. The two remaining dairies are both owned and controlled by Nova Scotian dairy producer co-operatives and they operate five fluid milk processing plants in Corner Brook, Deer Lake, Lewisporte and two in Mount Pearl. All local milk production is currently being processed by these plants for distribution throughout the island; Labrador receives most of its fluid milk direct from the Maritimes or Quebec. The dairies provide a full service to milk producers on the island, including the pick-up of raw milk and quality assurance testing. The prices paid by the dairies to producers are, of course, established by the Milk Marketing Board.

The Newfoundland Dairy Processors' Association comprises the two dairies and was established in 1988 to safeguard the common business interests of the dairy processing industry in this province. Because the dairies operate in a competitive environment and to preserve corporate confidentiality, the Task Force studied the dairy processing industry as an entity rather than as individual companies. Thus, the results of the Task Force's cost-of-processing study represent the processing industry in aggregate. Similarly, in order to respect processor confidentiality, the Task Force will not outline in this document the detailed results of the cost-of-processing study, even in aggregate.

From this perspective, the fact that there are only two dairy processors operating in the Province, both owned by Nova Scotia producer co-operatives, immediately raises two questions:

1. Does the restricted competitive environment adversely affect either producers through price fixing or consumers through price gouging?
2. Are corporate decisions made by the Newfoundland dairies influenced to any degree by their parent companies in Nova Scotia so that they may not be in the best interests of Newfoundland producers or consumers?

These questions were asked on several occasions during the public hearings. Furthermore, it was suggested to the Task Force that even if there is no collusion between the two processors, the perception that there is no real competition in the dairy processing industry and that all milk processing is controlled by companies owned by dairy farmers in another province adds weight to the concerns about high milk prices. It was even suggested in one meeting that no other province would tolerate such a situation in its dairy processing industry and that local control should be effected as soon as possible. However, no method was proposed for how local control over dairy processing could be achieved.

The opportunity exists for the two dairies to collaborate in setting prices and in protecting their own interests. Through the Newfoundland Dairy Processors' Association, the two dairies meet and decide on strategies for increasing the viability of their operations. This is not unusual;

most industry associations are used for promoting common goals, just as the Fisheries Association of Newfoundland and Labrador protects the interests of fish processing companies and the Milk Marketing Board is used to protect the interests of dairy farmers.

The Milk Marketing Board has the responsibility for establishing the price processors pay for their raw milk, a price which is usually established based on the needs of producers and for which the approval of the processors is not required or sought. Similarly, the price the dairies receive from the retailers can also be set by the Milk Marketing Board, although usually, the Board makes processor level pricing decisions based on proposals from the Association. The Board obviously considers the requirements of the processors before approving increases in the wholesale price and it is at this time that any collusion would have an effect. However, wholesale milk prices during the 1980s do not reflect collusion between the processors, as will be shown later in this chapter. The Board even has the power to regulate the incentives offered to retailers by the processors, even though incentives are commonly used in the food industries as a marketing tool. Rarely does the Board interfere with this aspect of the dairies' business.

The Task Force believes it is unfortunate that the dairy processing industry is now concentrated in only two dairies and that neither company is locally controlled. However, after many months of research and investigation into the dairy industry, including a detailed cost-of-processing study, the Task Force believes that there is no indication that external control over the two dairies has had any adverse impact on producers, consumers or the prices established for fluid milk. To the contrary, the processors' relationship with the Nova Scotia dairy industry has, on occasions, benefitted Newfoundland producers, particularly when, for example, there has been an excess of raw milk produced in this province. Markets in the Maritimes have been found for these surpluses and producers have received the full Newfoundland farm gate price for milk sold in Nova Scotia. While the role played by the Board in marketing these surpluses should not be under stated, the direct links between the Nova Scotia and Newfoundland dairy industries did not impede these transactions.

Although the Newfoundland dairies are responsible to external interests, and they cannot ignore the corporate objectives of their parent companies, the processors do make decisions in the interests of the local dairy industry. The executive officers of the two dairies based in this province have a considerable degree of autonomy in running their operations and the parent companies do not interfere with their decisions. The local executive officers have occasionally been able to convince their Nova Scotia boards to accept policies and strategies which have little or no advantage for the parent companies. The dairies did not have to switch to fluid from reconstituted milk for the manufacture of their chocolate milk product in early 1990, for example. Reconstituted chocolate milk is relatively inexpensive to manufacture and it generates reasonable earnings. Although this decision was not entirely altruistic, the dairies showed they were prepared to pay higher raw milk costs and accept lower profits to promote and support increased local milk production.

The Cost of Processing Fluid Milk The objectives of the cost-of-processing study (referred to also as the COP study for the processors) were to determine the costs incurred by the two

Newfoundland-based dairies from their fluid milk operations, and the returns accrued. This involved developing a model to identify the expenses and revenues related to fluid milk processing and to assess the appropriateness of the overall returns to the dairies for the 1989 calendar year. The nature and amount of the incentive payments made directly or indirectly by the processors to retailers was also specified as a cost item which should be specifically identified in the course of the analysis.

The cost-of-processing study contracted by the Task Force used the financial records of the Newfoundland dairies to determine the overall cost of processing milk and to identify the composition of that cost. Because financial records provided the entire database for the audit procedures, there was little subjectivity employed in determining the processors' returns. The only area where the consultants were required to make a subjective assessment was in allocating costs between fluid milk and non-fluid milk operations where categories of product were not identified separately. The Task Force is satisfied that the allocation procedure used was valid, fair and consistent with studies performed in other jurisdictions.

The two Newfoundland dairies had annual losses on their fluid milk operations between 1985 and 1989.³⁷ The financial picture improved marginally in 1989, primarily because of a higher raw milk throughput which increased from 22 million litres in 1988 to 29 million litres in 1989.

The Task Force assumes that returns from the sales of non-fluid milk products, such as yoghurt, butter, cheese and juices, offset the operational losses from fluid milk processing in 1988 and 1989. Unfortunately, the processors would not permit an examination of non-fluid milk products as part of the cost-of-processing study so that the degree of cross-subsidization between fluid milk and non-fluid milk operations could not be determined. The processors argued that their fluid milk operations must stand on their own and that cross-subsidization should have no bearing on the pricing of fluid milk. While the Task Force would have preferred to acquire a comprehensive picture of all dairy processing activities in this province, the position taken by the processors is not unreasonable.

By far the most significant single cost to the processors was the net price paid for raw milk, which accounted for half of the total cost of processing milk. By 1989, this input cost had increased by 2%. This 2% increase was equivalent to the total increase in processing costs between 1988 and 1989. As many other cost components had also risen over the year, the processors increased their efficiency somewhere in their operations. The second largest processor cost was the incentive payments to retailers. In 1988, this represented 13¢ per litre and in 1989, 15¢ per litre. These incentives were paid primarily as volume discounts on the wholesale price. The processors' delivery and distribution system (under which the data on the incentives, advertising and labour and depreciation related to distribution are recorded) was the only area, except for raw milk purchases, where there were cost increases over the year.

Although the cost-of-processing study did not show it as a separate cost, processors are experiencing a problem with excess cream. This excess results from increasing amounts of

³⁷ For confidentiality reasons these data, even in aggregate, are not published.

butterfat being removed from fluid milk as consumers demand more low-fat dairy products. Cream must be held in inventory until markets can be found, thus adding to overall processor costs.

The gross revenues of the processors increased by 4.2% between 1988 and 1989, despite the fact that they registered a loss for the year. Some of the increased revenues in 1989 came from a wholesale price increase of 4.5¢ a litre on August 5, 1988. However, a wholesale price increase effective on December 1, 1989 of 2.5¢ per litre would have only a minimal effect on the balance sheet for that year, but it might have improved the processors' financial standing as they headed into 1990.

What can be concluded from these data is that the dairies increased the efficiency of their operations between 1988 and 1989. They reduced administration and in-plant costs by 11% and 1.5% respectively. Considering that the base rate of almost all component costs in each of these categories increased during 1989, this is a significant achievement. By improving their efficiency, the processors managed to offset the cost increases for their year and, because of the increased volume of milk processed, they managed to cut their losses by almost one third.

The fact still remains that the fluid milk component of the province's dairy processing industry has been running at a loss for at least five years. While the Task Force does not have detailed processing data for 1990, it is suspected that the processors did no more than break even by the end of the year. The December 1, 1989 wholesale price increase of 2.5¢ a litre would have improved their financial position at the beginning of the 1990 year. This would have covered the processors' losses based on the cost-of-processing data for 1989. The volume of milk processed in 1990 rose from 29 million litres to more than 30 million litres, meaning that revenue increases would have been generated from increased throughput which would also offset previous losses. In October 1990, the processors were granted a further 1.5¢ per litre increase; however, an absolute increase in processing costs over the year (particularly wage rates and energy) probably offset revenue gains from higher throughput and the increased wholesale price.

Processor Pricing in Perspective Tables 6.3 and 6.4 (above) display information on the farm gate and wholesale prices for 2-litre cartons of milk in Newfoundland and Nova Scotia respectively, highlighting the increases that have been granted to producers and processors. As referred to earlier, there has been no significant difference between farm gate price increases in Newfoundland and Nova Scotia since 1983. The Nova Scotia and Newfoundland wholesale prices have also increased between 1986 and 1990 by approximately the same amounts — 40¢ and 37¢ per 2-litre carton, respectively. However, the Nova Scotia wholesale price has consistently been double the farm gate price, while in Newfoundland, it has been only about 170% of the farm gate price.

Moreover, the Newfoundland farm gate price is between 20% and 30% higher than that of the Maritime Provinces, while the wholesale price is only 11% higher than Nova Scotia's, 15% higher than New Brunswick's and 23% higher than Prince Edward Island's. These two facts suggest that the processors in this province are working with lower percentage profit margins than are their counterparts in the three Maritime Provinces. Either the Maritime dairies are generating

more revenues or the Newfoundland processors are significantly more efficient in their activities. The cost-of-processing study shows that the Newfoundland processing industry has, indeed, recorded significant productivity gains. The logical conclusion from this point supports the cost-of-processing study's data that the higher wholesale milk price in this province is the result of a high farm gate milk cost and not the inefficiency of the dairies.

Between April 1986 and October 1990, the wholesale price of fluid milk increased from \$1.22 to \$1.40 per litre, of which 7¢ resulted from an increase in the farm gate price. The 11¢ per litre net increase to the processor spread over 4.5 years represents a 2.4¢ per litre annual increase. Correspondingly, the farm gate price increased over the same period from 69¢ to 76¢ per litre, representing an annual increase of less than 1.5¢ per litre. Therefore, the wholesale milk price has increased at a rate only slightly higher than that of the farm gate price. More importantly, the COP studies show that the farm gate price is set well below the estimated average costs for farmers, and the dairies have received negative returns for the last two years.

While the Task Force feels confident that the dairy industry in this province has a bright future, the above information should be used as a caution: unless milk prices are allowed to skyrocket in the next few years (and this is not an acceptable solution) significant productivity gains must be achieved in the producing industries. The processors cannot tolerate annual losses in the processing of fluid milk over extended periods of time regardless of how well they can cross-subsidize by proceeds from processed product sales. The cost-of-processing data show that the dairies are making significant strides in improving productivity in the production of fluid milk, but they are constrained by rising raw milk prices. Some productivity gains may be achieved through higher production volumes (school milk programs, aggressive promotional campaigns and limited industrial milk production over the medium term). However, the most effective productivity gains will be those made on-farm by reducing input costs, particularly for feed.

Throughout this chapter, reference has been made constantly to the relatively high farm gate price of milk; comparisons between Newfoundland and other provinces have been made, based on differences between provincial farm gate milk prices. However, this kind of comparison can be misleading. In each of the three other Atlantic Provinces (and in all other Canadian provinces), fluid milk sales account for only a portion of total milk production. Each province utilizes a tiered pricing structure for milk, with the highest price paid for milk which has a fluid application; milk which is surplus to the fluid milk market receives a lower price, depending on the use to which the milk is put. This results in a blended price being paid to each producer which is the result of total revenues for milk divided by the number of litres produced. In Newfoundland, there is no blended price because all milk produced is destined for the fluid milk market. Therefore all Newfoundland producers receive the fluid milk price for their product.

Producers in the Maritime Provinces must estimate their costs and revenues not on the established farm gate price, but on the blended price. Quite simply, they will almost never receive the farm gate price for their milk. Nova Scotia producers, for example, receive a blended price of \$53 per hectolitre, rather than the current farm gate price of \$61 per hectolitre. From the processors' perspective, the difference between paying \$53 per hectolitre for their raw milk

and the \$61 per hectolitre farm gate price is significant. Processors in this province paying \$76 per hectolitre, the current Newfoundland farm gate price, are paying about \$22 per hectolitre more than their Nova Scotia counterparts.

It is no wonder, then, that the Newfoundland dairies consistently argue that farm gate prices are set too high and that wholesale and retail milk costs are considerably higher than in the Atlantic Provinces. The farm gate price of fluid milk is between 20% and 30% higher in Newfoundland than in any of the other Atlantic Provinces and the actual prices paid to producers in Newfoundland are between 40% and 70% higher if the blended prices are used. However, there was a considerable variance between the difference in the prices paid to dairy farmers in Newfoundland and the Maritimes during 1989, compared with other agricultural commodities. Compared to Nova Scotia prices, Newfoundland farm gate egg prices, for example, were only 8% higher, hog prices were 28% higher and chicken was 18% more expensive. The Task Force is surprised that a survey of retail milk prices across the Atlantic Provinces reveals that average prices in this province are only about 10% to 20% above those of the Maritimes when the average raw milk costs to processors in this province are considerably higher than in the Maritimes. Assuming the processors and retailers in the Maritimes are not gouging the public or cross-subsidizing their dairy products operations from fluid milk revenues, this information suggests that the processors and retailers in this province are either receiving much lower profit margins than their Maritimes' counterparts, operating with considerably higher levels of efficiency, or they are doing both.

The data in this section show that far from gouging the public or using their parent companies in Nova Scotia to fix prices in this province, the two dairies are struggling to keep their fluid milk operations solvent. With high raw milk costs, imposed limits on raising wholesale milk prices and consumer sensitivity to high retail milk prices, the processors do not have much leeway either in their financial position or to improve efficiency. The Newfoundland Dairy Processors' Association, in its brief to the Task Force, recommended that the farm gate price be frozen until an integrated dairy policy for the province is implemented. The policy would chart the industry's future, based on a principal objective of removing the discrepancies between Newfoundland and neighbouring provinces in the cost of producing and processing milk. The Association also recommended that the farm gate price for milk should be no higher than the farm gate price for milk in any of the other Atlantic Provinces plus the freight cost to Newfoundland.

The Task Force agrees in principle with the Association's first recommendation — to freeze the farm gate price. However, the COP study indicates that the high farm gate milk price is the result of structural problems in the industry, primarily caused by an over-dependence on imported expensive dairy feed, rather than by producer inefficiency or poor farm management. An industrial strategy aimed at forage self-sufficiency and increased milk production and consumption, is already under way and the benefits are starting to be realized. Therefore, instead of a price freeze, the Task Force prefers to advise the industry in the strongest possible terms to lower its costs of production in a systematic fashion and to limit any increases in the farm gate price to the absolute minimum. To back up this recommendation, a Dairy Pricing Policy Committee operating under the aegis of the new Agricultural Products Marketing Commission

(see Chapter 9) is proposed, with a mandate to oversee all milk pricing proposals. This Committee should scrutinize milk pricing proposals rigorously, based on the information provided in this report and in the two financial studies of the dairy industry sponsored by the Task Force. An objective of this Committee is to bring producer and consumer milk prices more in line with those in other Atlantic Provinces over a reasonable period of time.

The Task Force also agrees with the Dairy Processors' Association's suggestion that an objective for the dairy industry should be to establish a farm gate milk price in Newfoundland equivalent to those of the Maritimes plus freight costs. It is suggested that the Nova Scotia farm gate price act as the benchmark because that province is the closest to Newfoundland and some interprovincial links between the two dairy industries have already been established. Therefore a short-term objective should be to remove the \$3 per hectolitre disparity between the Nova Scotia price plus freight and the Newfoundland farm gate price.

The Task Force also suggests adopting a medium- to long-term objective: to bring Newfoundland's farm gate price in line with the Nova Scotia blended price plus freight (currently about \$11 per hectolitre difference). The ultimate objective, of course, is eventually to produce and process milk in this province at a cost on a par with the other Atlantic Provinces. This entails removing a disparity of about \$16 per hectolitre. While these objectives may appear to be a tall order, the significant successes already achieved by Newfoundland dairy farmers in on-farm efficiency, product quality and increased production suggests to the Task Force that they are no more unrealistic than if it had been predicted in 1983 that Newfoundland dairy farmers should be producing all of the province's fluid milk requirements by 1990.

Milk Marketing One of the most serious problems facing the dairy processors is the relatively small size of the Newfoundland fluid milk market. Five plants serve a 30-million-litre market which is spread over a wider geographic area than all of the other Atlantic Provinces combined. This accounts for some of the higher processing and distribution costs of fluid milk. The only realistic way to decrease processing costs per unit is to add more volume for the plants and distribution systems to handle it. Raising per capita consumption is an obvious way to achieve this objective. A concerted effort through education programs aimed at the general population is required in order that the benefits of including fresh milk in diets is promoted province-wide.

The processors and producers have been involved in the planning of a school milk program in the last few years, and they are prepared to continue that involvement. Furthermore, both dairies sponsor their own advertising campaigns to promote their products, aimed primarily at the province's youth. Both campaigns appear to have met with considerable success. In addition, the national dairy industry sponsors generic advertising on television, radio and in the printed media which has been moderately effective in promoting milk as a nutritious and refreshing beverage.

Without downplaying the Milk Marketing Board's activities in promoting milk and raising the province's per capita fluid milk consumption, there is no doubt that the dairies have a leading role to play in any future education programs and promotion campaigns. The Task Force is impressed, for example, that in Nova Scotia, at least one dairy runs a special events van which

attends community and sports functions on behalf of the dairy industry and distributes dairy products to those in attendance. The Task Force hopes that the dairies continue to sponsor milk promotion throughout the community; perhaps "Drink Fresh Milk" can become commonplace on clocks, scoreboards and recreational equipment in schools, cafeterias and community buildings, rather than the more usual beer or soft drink slogans.

Most people in this province purchase their milk requirements in 2-litre containers even when they are purchasing several litres at a time. For most of the province, larger milk containers are not available; when the bulk plastic packs are offered, the per unit price is equal to, or in most cases more than that of the 2-litre cartons. This is somewhat of an anomaly in Canada. Consumers in other provinces often satisfy their family milk requirements by purchasing the 4-litre plastic packs, primarily because the per unit price is considerably less than for the cartons. In many parts of the country, the 1- and 2-litre cartons are usually purchased only for convenience, with the expectation that they will be priced higher than the plastic packs; the price of a 2-litre carton of whole milk can be as expensive as a 4-litre plastic pack in some places.

This difference in purchasing habits, determined largely by product price, raises two separate points. First, when comparing retail milk prices between Newfoundland and other provinces, care has to be exercised to ensure that equivalent products are being evaluated. For example, retail milk-pricing data for Ontario show that in many communities, including much of the metro-Toronto area, a 2-litre carton of whole milk is as expensive as in Newfoundland. This might lead to the conclusion that Newfoundland's whole milk retail prices are not too far out of line with Ontario's. However, to make the comparison between Newfoundland and Ontario retail prices valid, the Ontario whole milk price should be calculated per litre using the price of a 4-litre plastic bag. This would lead to the more realistic conclusion that Newfoundland's typical whole milk retail price is considerably higher than that in Ontario.

The second point is that the Task Force would encourage the dairies to investigate fully the feasibility of selling milk in bulk packs. Bulk purchases, stimulated by lower prices, might help to raise per capita milk consumption in the province — one of the processors' principal objectives. In making this suggestion the Task Force realizes that the bulk packs would have to be sold at a lower per-unit price than the 2-litre cartons and that the processors are probably not in a financial position to lower their wholesale prices to accommodate this. It also might be the case that some low-income consumers cannot afford bulk purchases. Nevertheless, the dairies have not promoted this option sufficiently.

The market size problems referred to above also bring into play issues related to transportation. Because dairy farms are spread across the province from the Northeast Avalon to the Codroy Valley to the Northern Peninsula, raw milk has to be transported over many miles and occasionally trans-shipped en route. The processors operate their own farm pick-up and dairy delivery systems and they wish to continue to do so. The main reason for this is that they believe they need to control their milk supply scheduling, given the number and locations of producers, the total volumes of milk involved and the necessity to maintain quality control.

The transportation of milk from the farm to the processing plant is, of course, a producer cost even though the arrangements are handled by the dairies. This is the norm for almost all of

Canada. However, dairy farmers have advocated that a different milk transportation system be employed, preferably one which would be controlled by the Milk Marketing Board. The principal reason for the Board's position is the cost attached to milk transportation and trans-shipment. The Task Force was told on several occasions about producers, particularly on the West Coast, paying high transportation charges, often because a milk shipment was broken in bulk on the way to the East Coast.

To support the producer's position, PDAS Associates of New Brunswick was commissioned by the Board to undertake a study of the transportation of milk in Newfoundland.³⁸ This study concluded that transportation costs could be reduced even if the current pick-up and delivery system operated by the dairies is maintained, but that at least two options involving direct participation of the Milk Marketing Board could offer producers considerable benefits over the current system. The processors strongly objected to the results of the PDAS study, arguing that the methodology and analysis used were both flawed.

The Task Force agrees with the processors that the PDAS study is not convincing. While there is no reason why the dairies have to control milk deliveries — many other industries contract out their pick-up services to independent agencies or to the primary producers without the kinds of problems anticipated by the processors — the Task Force has uncovered no evidence that producers pay unduly high transportation charges. Rather, it is suggested that the Newfoundland Dairy Processors' Association and the Newfoundland Milk Marketing Board resolve their differences co-operatively. Problems related to break-bulk points, trans-shipment charges, duplication of pick-up services and quality control assurance should be addressed immediately. This should not preclude serious consideration of any or all of the options presented in the PDAS study, through further study under the auspices of the new Agricultural Products Marketing Commission.

The Task Force therefore recommends that

79. increasing processing efficiency and encouraging greater volume throughput be the principal objectives of the Newfoundland dairy processing industry;
80. the processors continue to be involved in dairy product promotional activities and, in particular, in the planning of a school milk program;
81. in order to stimulate fresh milk consumption, the processors, in co-operation with the Milk Marketing Board and retailers, investigate more fully the feasibility of introducing bulk (4-litre) milk packs; and
82. the current practice of the processors' scheduling and operating the raw milk pick-up be retained, but the services provided and the rates charged be reviewed regularly by the Agricultural Products Marketing Commission.

Retailing Dairy Products

³⁸ "Enhancing Market Infrastructure: Optimizing Farm/Dairy Distribution Systems throughout Newfoundland", April 1989.

The retail sector in Newfoundland and Labrador consists of large supermarket chains controlled or owned in part or in whole by external interests, Newfoundland-based supermarket chains with stores in many towns and centres throughout the province and the smaller family groceries or general stores found in most communities. Almost all stores in the province, regardless of size or volume of business, carry milk and other dairy commodities. This reflects the fact that milk is a necessary consumer food item which is sold only through retail outlets: the dairies do not normally sell their products directly from the plants.

As with most food commodities, the relationship between the processor, or wholesaler, and the retailer determines the quality of products purchased by consumers and the price attached to those products. In the dairy industry, this relationship is largely determined by the Milk Marketing Board which formally establishes the wholesale milk price for fluid milk products. The Board also has the authority to set the retail price, although since the minimum retail price issue of 1986, retailers have largely been left to their own devices in setting the prices for consumers.

Retail Incentives In negotiating sales contracts, the processors offer incentive payments to retailers in exchange for purchasing, displaying and marketing milk in retail outlets. These incentives are usually offered in the form of volume discounts where the amount of the discounts reflect the volume purchased. However, incentives can also incorporate certain undertakings by the retailers for advertising, product handling and other promotional and marketing activities.

The system of incentive payments is common to the entire food industry throughout the Western world. Breaking into the retail trade, particularly for companies with trans-national distribution systems and correspondingly high patronage and product sales, is critical to the marketing of any major food product. Shelf space in supermarkets can only accommodate a small fraction of the food items available. Therefore, food manufacturers, wholesalers and distributors must compete for shelf space by offering incentives to retailers. For some highly competitive food items, the incentives offered may top 50% of the wholesale price.

The dairy industry across Canada is highly competitive and the use of incentive payments is regarded as standard practice. Processors sell fluid milk to supermarket chains, for example, at an established wholesale price less a certain percentage which represents the incentive. The level of discounts offered to supermarkets, compared with other retail outlets, may depend on the volumes of milk purchased by those outlets, the kinds of promotion to be carried out by the stores or any special activities that the supermarkets may agree to undertake. Normally, the retailers will sell products to consumers at, or close to, the established wholesale milk price. Thus, retailers' gross earnings may be approximately the value of the incentives offered by processors.

Incentive costs have increased in Newfoundland's dairy industry over the last two decades because of pressures imposed by major retailers on the processors to follow normal food marketing practices. The processors could not resist these pressures because they and the retailers both belong to corporate organizations operating in other provinces and which participate generally in incentive purchasing. Furthermore, an increasing dependence by the processors on the volume of business provided by the major retailers — business which could not be jeopardized

— added to these problems. Incentive levels appear to have stabilized in recent years, however, even though processors' incentive costs continue to escalate as more of their fluid milk is sold through the major retailers on high percentage incentive programs.

The incentives currently paid to the larger retail stores in Newfoundland, particularly the chain supermarkets, average from 18% to 20% of the wholesale price of milk. The incentives paid to smaller supermarkets and purchasing groups which can guarantee a medium sales volume average from 10% to 20%. Smaller stores with relatively low sales volumes may receive little or no incentives unless they join a buying group. In rural areas, incentives may not be offered at all and retailers commonly apply a standard 20% mark-up. Therefore, milk prices outside of the major urban communities are often extremely high.

At the Task Force's public hearings, several briefs were presented in which the incentive system used by the retail industry for selling milk was strongly criticized. Of all the issues raised regarding the retailing of milk, the incentive system was by far the most prominent. The Task Force was asked on more than one occasion to recommend eliminating retail incentives altogether or, at least place limits on the value of incentives offered by the processors. It was suggested that because milk is such a vital commodity and it is already priced higher than in other provinces, consumers should not have to absorb any unnecessary costs of marketing the product from the wholesaler to the retailer. Furthermore, questions were raised about the need for such a marketing practice to be employed. It is true that incentives supposedly aid marketing, but there are only two dairies serving the province; therefore, what purpose do incentives serve in Newfoundland except to raise retail prices and bolster retailers' profits?

The Task Force's examination of the use of incentive payments as a marketing mechanism concludes that incentives do indeed affect retail milk prices when they are determined on a percentage basis. Retailers purchase milk from the processors at the established wholesale price, less the incentive. They re-sell the milk to consumers at the same wholesale price, thereby retaining the value of the discount received from wholesalers. The incentive received by retailers, therefore, normally represents the profit they make on selling milk, less overall expenses incurred in handling and selling the product. However, when incentives are based on a percentage of the wholesale price and the wholesale milk price is increased, the cash value of those incentives to the retailers is automatically increased. That cash value then has to be absorbed by the processors, thereby increasing their costs. In turn, this can lead to increases in the price of milk paid by consumers — increases which offset the additional revenues earned by the retailers.

To illustrate this point, if incentive levels were set at 20% of the wholesale price and the wholesale price was increased from \$1.40 to \$1.50 per litre, the cash value to retailers of the incentives would increase from 28¢ to 30¢ for each litre of milk. The extra 2¢ per litre received by the retailers would come off the wholesale price, meaning that the effective per litre wholesale price increase for the processors would be 8¢, not the 10¢ which was approved. Therefore, if the processors require a 10¢ increase in the wholesale price of a litre of milk in order to cover costs, they would have to seek a 12.5¢ increase in order to realize the 10¢ needed. However, the entire 12.5¢ per litre increase would be passed on to consumers. A small portion of that increase would represent a cash payment to retailers.

The problem with retail incentives in this province is not with the cash values currently received by retailers. Retailers are receiving incentives on milk which are considerably lower than in other parts of Canada: in Ontario and Quebec, for example, they can reach 40% or more. However, because incentives are calculated on a percentage basis, the way they are built into the retail price leads to confusion about how much the retailers make on milk sales, particularly when a wholesale price increase occurs. This is also the principal reason why consumers attack the incentive system so vociferously.

Eliminating the system of incentives in milk retailing would not necessarily resolve the price-related problems which have been identified. Because the same wholesale price would have to be offered by the processors to all retailers regardless of sales volumes, it is conceivable that the average retail price of milk would increase, rather than decline, and the potential for consumer inconvenience would be considerable. The processors would probably strive to sell as much of their milk as possible to high volume outlets, such as the chain supermarkets, rather than to the small convenience groceries or rural stores. By doing this, they would cut down on the extra costs incurred when delivering small volumes to numerous outlets, or to more remote stores – costs that are accommodated under the incentive system by lower discounts. Thus, the additional cost of serving these numerous small stores could only be offset by an increase in the wholesale price which in turn would raise the average retail price. Alternatively, the processors might decide not to service the smaller or remote grocery stores.

It would also be extremely difficult to eliminate the incentive system for milk given its widespread use across the country. The larger retail companies would almost certainly challenge such a move, perhaps through court action. The representative of a major supermarket chain told the Task Force that if government tried to regulate retailers in the selling of dairy products, they might very well ignore the dairy regulation system completely and import milk from another province. Thus, they would stand their ground in maintaining their autonomy from government interference by challenging the legality and constitutionality of supply management. While the Task Force believes government should not be intimidated by these kinds of threats, nevertheless, it does not advocate confrontation with the retail trade. There are ways to improve and modify the current incentive system and these should be considered as preferred options.

The retail incentives for milk are generally negotiated on a percentage basis in Newfoundland. This appears to be one of the major problems. If incentives were established as an amount paid per litre, the cash value of incentives would not automatically increase whenever the wholesale price of milk rises. This would allow increases in wholesale prices to be passed on to consumers intact. Should the retailers also wish to increase their earnings from milk sales, they would have the option to raise the cent-per-litre level of the incentives or increase retail prices. Either way, the additional revenues generated by retailers could be easily identified and consumers would know precisely how much of a particular retail price increase was attributable to the processors and how much was due to the retailers. Under the current system, this determination is not clear cut for any one retailer unless the precise incentive level offered to that retailer is known.

The Task Force does not believe that incentives should be capped at a particular level. This is because existing incentive levels are low compared to those in other provinces and, without detailed information about the retailers' financial position in the milk retailing business, it is not known whether or not a particular cap would either be effective or reasonable. It is suggested that a closer examination of the retailers' role in the dairy industry, perhaps by the proposed new Dairy Pricing Policy Committee, be undertaken. Thereafter, government and the industry might be in a better position to assess the benefit of capping incentive levels in this province.

The Committee may also wish to focus attention on a relatively new purchasing technique in this province, whereby several wholesalers sign up numerous small stores so that higher percentage incentives can be negotiated with the processors for the entire purchasing group on the basis that the group will purchase large volumes regularly. The stores are offered incentives which are considerably higher than if they each negotiated their own contracts; the processors pay high incentives to the buying group, even though their overhead costs in servicing member stores remain the same; and the wholesaler acquires a portion of the incentives paid by the processors, supposedly for negotiating and handling the contracts. Should this technique proliferate so that many common buying groups are established, the processors will be paying out higher incentive values, thereby increasing their overall costs. In turn, this will affect the price consumers pay for milk. However, the Task Force must point out that the processors willingly entered into contracts with such buying groups and they should take responsibility for this business decision. The only rationale for the Committee to examine this matter more closely is to ensure that retail milk prices are not adversely affected. The only restriction on incentives that the Task Force proposes is that milk sold to the provincial School Milk Program should be offered with no incentives at all.

The Task Force suggests that the retail trades must be better understood in the formulation of a provincial dairy policy. The major retailers claim, for example, that even though their current incentive levels are approximately 20% of the wholesale price, high overheads and dairy product handling costs mean that they do not break even in milk sales. They argue that the approximately 20% profit normally earned from the sales of dairy products is not generated in this province. However, the Task Force has no concrete information which can support or refute the retailers' argument. Given this, and public sensitivity over milk pricing (for which the producers and the processors usually take the brunt of the criticism), it is imperative that the costs of retailing milk be determined as accurately as possible.

Studying retailers' activities with respect to dairy products may pose difficulties, however. The retail trades, particularly the larger supermarket chains, like to run their businesses without interference from the dairy industry, governments or any other regulatory body; divulging information about their costs and revenues is not something they do willingly. Nevertheless, any study of milk retailing must secure the retailers' co-operation.

The Task Force therefore recommends that

83. retailers retain responsibility for establishing fluid milk prices at the retail level, based on the principles of competitive retail product marketing;
84. incentives offered to retailers be negotiated with the processors on an amount per litre rather than as a set percentage;
85. incentive levels and method of payment remain a matter for the dairies and retailers to negotiate with no ceiling or maximum limits imposed. The Dairy Pricing Policy Committee should, however, monitor closely any future increases in incentives and determine appropriate courses of action should increased incentive level values adversely affect consumer milk prices; and
86. government, preferably with the co-operation of the major retail companies, undertake a thorough analysis of the retail trade's role in the marketing and selling of dairy products and, in general, establish a closer relationship with the principal retailers operating in the province.

Regulation of the Dairy Industry

The production, distribution and sale of fluid milk in the province is governed by the Newfoundland Milk Marketing Scheme, enacted under the provisions of the *Natural Products Marketing Act*, 1983. The Newfoundland Milk Marketing Board has the power under existing legislation to set the producer, processor and retail prices of milk in the province.

The Board adjusts the farm gate price for fluid milk from time to time based on its evaluation of producers' costs relative to the price. At the present time, there is no set mechanism or formula used to adjust the farm gate price of milk as there is in other provinces, where updates of COP studies are used to track costs and revenues. Consequently, there is considerable confusion and uncertainty in the industry over the way the farm gate price is established and a general lack of public confidence in the ability of the Milk Marketing Board to use its price-setting powers in a fair and reasonable manner.

The Newfoundland Milk Marketing Board's power to set or approve price adjustments beyond the farm gate has led to antagonism between producers and processors, as processors are not represented on the Board. As with the farm-gate pricing of milk, there is no mechanism or formula established to adjust wholesale prices; these are set by the Board primarily as the result of proposals from the Newfoundland Dairy Processors' Association. The Board also has the power to set prices at the retail level. This has also been a contentious issue as retailers do not believe a retail price should be set by any outside body. The Board's power to set milk prices at the producer, wholesale and retail levels is not only unusual in Canada; it reflects the unusual degree of authority vested in the Newfoundland dairy supply-management system.

Administration The Task Force believes that producers have made a significant contribution to agriculture through the rapid development of the dairy industry during the last seven years of

supply management. However, the Board has been perceived by the public, and in some cases by producers themselves, as possessing too much power. The Task Force believes that the administration of the supply management system in the Newfoundland dairy industry must be modified. Suggested modifications are in line with the suggestions and recommendations outlined in Chapter 9 dealing with all aspects of supply management and marketing.

There is little opportunity for consumer groups, or indeed any members of the public, to provide meaningful input into any decisions on pricing made by the Milk Marketing Board. Thus, the Board's decision-making process is perceived as being extremely secretive and self-protecting. There has been so much confusion surrounding milk price increases in the past and considerable public attention devoted to the issue through the media, that the Task Force has examined various ways to overcome the inadequacies of the present system. The following recommendations will provide a mechanism for a more open approach to price setting, thereby reducing the volatility of milk-pricing decisions.

The Task Force believes that the most practical administrative body is the existing Agricultural Products Marketing Board. The specific setting of milk prices would occur as follows:

- the Newfoundland Milk Marketing Board would be empowered to recommend the farm gate price of milk;
- the Newfoundland Processors Association would be empowered to recommend the wholesale price of milk;
- the retail sector in Newfoundland should set the retail price of milk; and
- any price increases recommended by the Milk Marketing Board or the Processors' Association must be approved by the Dairy Pricing Policy Committee of the Agricultural Products Marketing Commission.³⁹

The Dairy Pricing Policy Committee should be structured along the lines shown in Figure 6.7.

As a result, this new structure will provide the following benefits to both the industry and consumers:

- the wholesale and retail price of milk will no longer be established by a producer-run board;
- consumer representation in the decision-making process will occur in relation to price increases from both producers and processors;
- the expensive procedure of hearing milk price appeals will be eliminated. The *only* recourse of appeal after the Agricultural Products Marketing Commission is the courts;
- future price increases will be permitted in accordance with set guidelines; and

³⁹ The name of this body as recommended in Chapter 9; the Board should become the Agricultural Products Marketing Commission, to better reflect its future role.

Figure 6.7
Dairy Pricing Policy Committee

Commissioner	Appointed by Lieutenant Governor-in-Council	1 vote, 1 additional in case of a deadlock
Consumer Rep	Appointed by the Minister upon recommendation from consumers' associations	1 vote
Producer Rep	Appointed by the Minister upon recommendation from the Producer Board or membership	1 vote
Processor Rep	Appointed by the Minister upon recommendation from the processors' association	1 vote
3 Neutral Members	Appointed by the Minister	1 vote each
Retail Rep	To be appointed by the Minister on recommendation from the retailers' organization, only in the event of an emergency retail pricing issue	1 vote, if necessary
Secretary/ Executive Director		Non-voting

- transportation charges incurred in transporting raw milk from producers to the dairies, and any other matter pertaining to milk pricing may be reviewed from time to time by the Committee.

Pricing Mechanisms The cost-of-production and the cost-of-processing studies contracted by the Task Force in 1990 should be updated periodically. The Agricultural Products Marketing Commission should oversee these updates either by using its own staff or by contracting experienced chartered accountant firms, depending on the extent of the update at any particular time. It is not suggested that all producers be involved in these updating studies; a sample of producers would suffice. The cost of the updates, rather than being billed to the Milk Marketing Board, should be absorbed by the Commission as part of the administration of the dairy supply management system. This would avoid passing on a portion of the cost of maintaining supply management to consumers through milk prices. The Commission's staff should monitor and update other information acquired by the Task Force during its mandate. Comparative farm gate, wholesale and retail milk pricing information across Canada, production and consumption data by province and by agricultural district and regional transportation costs, for example, must all be tracked continuously. Information gathered at the retail level should be added to the Commission's data bank and monitored closely.

In other provinces, COP studies determine the farm gate price of milk. Normally, the price is set at or near the COP level. However, as producers elsewhere are paid the blended price for milk, in effect, the COP acts only as a benchmark for determining the price paid to producers.

The Task Force has recommended strongly that the farm gate price, which is currently \$10 per hectolitre below the COP, should not be set at the COP level, nor anywhere near it. Therefore, while a price-setting formula suggested in the COP study might be used to determine farm gate prices, the Task Force suggests this formula not be used rigidly by the Committee, given the need to stabilize the producer price relative to other provinces; the COP should also act only as a benchmark for adjusting price, and the formula should act only as a guide.

The Task Force recognizes that the proposed strategy for stabilizing the Newfoundland farm gate milk price relative to neighbouring provinces could cause the Dairy Pricing Policy Committee some difficulties. Should the COP rise in 1991, for example, because of increased energy costs, the Goods and Services Tax or increased wage rates, the Committee would be forced to make a decision whether or not to respect the COP increases and raise the producer price accordingly. The Committee might decide to stay with the primary objective – to stabilize milk price increases – by foregoing significant farm gate price increases. Guidance here should be taken from how neighbouring provinces adjust their farm gate prices and by the nature of the COP increase.

The Task Force does not believe the Newfoundland COP will increase relative to the Maritime Provinces. Increasing self-sufficiency in feed and improved on-farm productivity should stabilize Newfoundland producers' COP, relative to other provinces. If they do not, the overall viability of the dairy industry in this province will once again be drawn into question. Therefore, the Task Force believes that the Committee, with the co-operation of industry, can narrow the present differential between the COP price and the farm gate price as outlined earlier in this chapter.

Updating the dairy cost-of-processing study should also be performed annually and paid for by the Agricultural Products Marketing Commission. Determining fair and adequate levels of return to the dairies from their fluid milk operations should be left to the discretion of the Dairy Pricing Policy Committee, with input from the Newfoundland Dairy Processors' Association. Decisions regarding wholesale milk prices would, therefore, be determined by the Committee based on the level of the farm gate price, processors' levels of return and cost information and the impact wholesale price increases would have on retail prices. The Committee should have the power to adjust retail prices, but only in emergencies when an adjustment would serve the public good.

The Task Force therefore recommends that

87. government streamline the province's supply management system governing the dairy industry by assuming the ultimate responsibility for milk pricing decisions through the Agricultural Products Marketing Commission. A Dairy Pricing Policy Committee should be established to authorize changes in the farm gate and wholesale prices of milk and, in exceptional circumstances only, to adjust retail prices;
88. the Dairy Pricing Policy Committee regularly update the cost of producing and processing studies and monitor closely all factors affecting dairy product pricing; and
89. in assessing any milk price increase proposals, the Committee adopt as a principal objective a pricing strategy aimed at reducing the differential between the

Newfoundland farm gate and wholesale prices and the cost of importing milk from neighbouring provinces.

A Challenging Future

The development of a dairy industry in Newfoundland and Labrador in such a short time period can be described as a success story and one for which the agricultural community can be proud. Carving out a modern agricultural industry which produces such a basic food commodity as milk and, moreover, achieving provincial self-sufficiency in fluid milk production is no mean feat. Revenues from milk production and processing, employment generated directly or indirectly by dairy farm enterprises, and the degree of stability the industry can bring to rural Newfoundland all have the potential to increase in the next decade. Given the right circumstances and attitude, the industry has a bright future ahead of it. The Task Force fully supports and encourages industry and government to realize the opportunities available for continued development and proposes that the following principles guide development over the next decade:

1. The dairy industry has developed rapidly over the last decade and further development should be encouraged. However, development should not be at any cost, and should only be carried out in the context of a clearly articulated policy framework and a well-developed, comprehensive strategy;
2. The dairy industry in this Province should be promoted in its entirety recognizing the total contribution made to employment, revenues and regional stability. The 72 dairy farms represent only the first stage of an integrated dairy industry comprising producers, processors, retailers, transportation services, equipment suppliers, feed companies, etc;
3. Newfoundland dairy farmers are independent businesspeople whose operations should be treated as commercial enterprises engaged in producing a vital consumer product;
4. The Newfoundland dairy industry must achieve and maintain greater market orientation in the pricing and marketing of its commodities. At the same time, it should be recognized that the industry is subject to higher costs of production than are its Maritime neighbours because of the absence of a commercial dairy tradition until quite recently and the lack of an adequate, developed land base to meet dairy farmers' forage requirements;
5. The dairy industry should have as a principal objective to become viable and competitive in relation to the dairy industries of neighbouring provinces over a set period of time. Competitiveness should be measured in terms of the overall costs of production, processing and distribution of dairy products, as well as the prices of locally-produced commodities compared to those originating in other parts of Canada;
6. The dairy industry should provide adequate returns for all involved. Milk is a vital commodity and its price is a sensitive issue; therefore, prices should be kept as low as possible to encourage increased consumption. However, consumers should not expect producers, processors and retailers to subsidize their milk purchases through

holding prices to artificially low levels, unless agreed to by the industry as part of a special promotion program; and

7. The best policy approach for the Newfoundland dairy industry is that nothing is sacred. Decisions as to where government will focus its development dollars or what kind of regulatory regime it establishes for the industry should be made based on sound economic principles, but with due regard for other public policies and social considerations.

At the same time, all components of the industry must become even more efficient, competitive and price sensitive. Increasing the industry's land base for forage and pasture, improving the productivity of existing land and greater on-farm efficiency (for example, by encouraging producers to raise their own replacement stock) should be the principal elements in a comprehensive provincial dairy strategy aimed at achieving these goals. The development of a secondary industry, through the negotiation of an industrial milk price and diverting fluid milk to the manufacture of a limited range of dairy products, should be a long-term goal for producers and processors alike.

Within a few years, the dairy industry in Newfoundland should be able to increase efficiency and produce milk at a price on a par with imported milk from Nova Scotia. However, consumers must be satisfied with the price, quality and diversity of the dairy products they purchase and they should remain vigilant in scrutinizing the industry. Given the doubts and negative perceptions of supply management across the country and in this province, the dairy industry in Newfoundland must prove that supply management works for society as a whole. This, perhaps, is the industry's greatest challenge.

Chapter 7:

Sustainable Agriculture and Resources

The concept of sustainable agriculture has come into vogue since the World Commission on Environment and Development (the Brundtland Commission) released its 1987 report entitled *Our Common Future*. Central to the report was the promotion of "sustainability" in economic development; that is, economic development which is compatible with the natural environment and which ensures that future generations can also derive benefit from the resources being developed. While the concept of sustainable development was an economic development paradigm with numerous applications long before the Brundtland Commission, it did not receive acceptance until *Our Common Future* gained world-wide attention. The Brundtland Commission's advocacy of sustainable development is based on small scale, labour-intensive resource development using appropriate technology. This was the kind of development path envisioned for the province by the Royal Commission on Employment and Unemployment.

The Task Force concurs with the Royal Commission's vision of Newfoundland and Labrador society: it should be a multi-sectored, diverse society where most people live in small, modern communities. It should provide equitable contributions to, and receive equitable contributions from, urban and rural regions and industrial and non-industrial sectors of the economy. It should be a society that seeks to follow a balanced, integrated economic development strategy, ensuring stable employment levels and a high quality of life for all regions of the province. Agricultural development in Newfoundland and Labrador can be sustainable and entirely consonant with this vision, considering both the nature of the resources utilised and the way those resources are managed.

Agriculture Canada, in its current review of national agrifoods policies, has identified environmental sustainability as one of four pillars that should support agrifoods development. This notion of sustainable development⁴⁰ stresses economic viability within the context of a sound environmental management code. Heightened public awareness of the importance of preserving natural resources and the development of a comprehensive federal policy for agrifoods stressing sustainable development suggest that the provincial agrifoods policy should address the

⁴⁰ The Federal-Provincial Agriculture Committee on Environmental Sustainability has defined sustainable agriculture as activities that are economically viable and meet society's needs for safe and nutritious food, while conserving or improving natural resources and the quality of the environment for future generations.

underlying principles of sustainable agriculture. The Task Force concurs with this assessment, and these principles were brought to its attention in many of the briefs and discussions presented at the public hearings. The principles underlying the concept of sustainable agricultural development should be used as a framework for managing the resources used in the production of food in this province.

Soil and Land Resources

Land base and climate form the basis for most agricultural activities. The extent and nature of the land base and the harshness of the climate determine what can be grown and where. The possible exceptions are certain types of confinement agricultural operations (broiler-chicken, egg and greenhouse production, for example), but even in these industries, a good land base and a mild climate can improve enterprise viability by keeping input costs to a minimum.

Although restricted by the lack of class 1 and 2 soils and the relatively short and cool growing season, the potential for agriculture in Newfoundland and Labrador is, nonetheless, not nearly as limited as many people think.⁴¹ A distinct advantage of our climate which has never been capitalized on is the fact that vegetables and fruits produced under the cooler growing conditions in Newfoundland and Labrador mature slower and as a result contain a significantly higher content of sugar. This results in produce having a sweeter taste and superior eating quality. Over the years, farmers have grown a wider range of fruits and vegetables than the traditional root crops: potatoes, turnips, cabbage and carrots. Local harvests of strawberries, chinese cabbage, lettuce, broccoli, cauliflower and celery have increased dramatically in the last decade and, in the case of strawberries, the volumes produced have approached market saturation.

The agricultural sector has scratched the surface of what can be grown commercially in this province. Although not all crops can be grown here, sweet corn, grain corn, some types of tree fruits and certain field-dried grains do offer considerable potential. In addition, conserved forage is difficult to dry because of the moist conditions prevalent during most of the growing season, but an increased emphasis on alternative methods of preservation, particularly various forms of silage, may allow producers to minimize this constraint.

The type of soil and the time it takes to form are determined by the climate, underlying bedrock and the type of vegetation cover. In Newfoundland and Labrador, the climate is described as humid and continental with relatively cool short summers. Spring weather is cold and damp, often lasting until late June, and late spring frosts are a common occurrence. The predominant vegetation type is coniferous (evergreens like spruce and fir). These factors, together with the generally coarse, gravelly nature of the province's mineral soils, have resulted in the predominance of podzolic soils across the province.

⁴¹ The Canadian Soil Inventory classifies mineral soils by using seven categories ranging from Class 1 (the best) to Class 7 (the worst). Most of the province's agricultural soils fall in Classes 4 and 5, suitable for vegetables and forage, respectively. Some areas are in Class 3 – suitable for most arable production.

Podzolic soils are characterized by the leaching of minerals, soluble salts and organic matter into the subsoil creating a grey-coloured top soil and a dark subsoil. Leaching processes and the coniferous vegetation, combined with the lack of limestone in the bedrock, have produced soil that is quite acidic and unsuitable for most plants used in agricultural production, unless the acidic nature of the soil is corrected through the application of agricultural limestone. Glacial movement over the land stripped away most of the soils that had previously been developed. The result is that the relatively short period of time that has elapsed since the last ice age has left the landscape covered with a relatively thin layer of mineral soil varying in depth from 1 to 60 centimetres.

A further limitation placed on the land base in Newfoundland and Labrador is the topography, or levelness of the land, which determines how easily the land can be worked. For most crops, the slope of the land must be fairly gentle. Land used for pasture may contain steeper inclines, but there is a limit to how steep a slope livestock can tolerate. In many areas where the soils have agricultural potential, commercial production is not possible because of the steep grades created by valleys, ridges, hills or rocky outcroppings. The topography of the province also limits the number of large contiguous blocks of level land which could be used for agriculture, leaving the resource base extremely fragmented and dispersed.

It is estimated there are 100,000 hectares of mineral soil suitable for agricultural use in the province. Only 36,577 hectares of these lands have been developed and only about 10,000 hectares have been used for commercial production.⁴² Therefore, there is still a very large untapped resource to be considered, albeit fragmented and dispersed across the province. Nevertheless, this resource should not be ignored or under-estimated.

If the province is to move towards the commercial production of as many commodities as possible, it is imperative that more land be brought into production. The three major constraints to promoting commercial agricultural production and expanding the land base are

- the lack of developed land;
- the fragmented nature of land suitable for agriculture; and
- the limited productivity of developed land.

While programs aimed at overcoming all three of these constraints should be implemented, increasing the productivity of already developed land must be given a high priority by government and industry.

Integrated Land-Use and Resource Planning

Developed land that is lying idle represents a waste of a valuable resource. Bringing idle land back into production is one of the cheapest and easiest ways of expanding the land base for agriculture. It is often difficult for farmers to gain access to suitable idle land, primarily because landowners are often reluctant to sell or lease their lands for agricultural use. Given the shortage

⁴² In addition, there are approximately 500,000 hectares of peat soils which may be available for agriculture. Only a minute fraction of this – about 800 hectares – has been developed for agricultural purposes.

of good land suitable for agriculture, government should consider imposing a differential land tax which would encourage owners of idle land to allow the land to be used productively. The differential should consist of a relatively high tax on idle land and no tax on land that is in production. Land that would normally be in production were it not for unfortunate circumstances, such as illness or lack of demand, could be exempted from the tax.

Yet, this problem may be compounded further by government's inability to identify who might own specific parcels of land. To implement a program aimed at encouraging the use of idle land for agricultural production, government has to develop an accurate data base on the location, use and ownership of all parcels of land within the province. Given centuries of unrecorded land tenure and informal land transfers, acquiring such information is an onerous task. It is suggested that the province's agricultural land base be incorporated into the Department of Forestry and Agriculture's computerized geographic information system, currently used exclusively for forest mapping. However, this would be only the first step towards understanding and rationalizing land ownership in Newfoundland and Labrador.

The Economic Recovery Commission has initiated research on this issue in an attempt to devise a provincial land-registration system. The Task Force fully supports this effort and recognizes that it may take several years and considerable financial resources to develop and implement a good land registry. Such a system will be of benefit, not only to agriculture, but to all agencies of government which deal with land-based issues. Because the current system is extremely inefficient, resolving land-related problems is time consuming and costly. Therefore, over the medium to long term, government will save money and its programs can be implemented more effectively.

The lack of a comprehensive land-use policy for Newfoundland and Labrador has also contributed to the problems referenced above. A land-use policy, which does not integrate the requirements of all land-based activities and which appears to favour certain uses over others, leads to tensions between and within sectors, particularly where agriculture and forestry are concerned. The Task Force has been informed of situations where land grants to the pulp and paper companies have tied up good agricultural land even when those companies have no plans for silvicultural development. This situation occurs, for example, in the Deer Lake area where lands containing some of the best soils in the province are reserved for forestry uses, even though the lands in question are not currently being used. Local farmers, who find themselves short of suitable agricultural land, claim that the pulp and paper companies continue to deny them access to prime lands despite the fact that these are of limited use to society in their current unproductive state.

This kind of land-use conflict also carries over to the Agriculture and Forestry Branches of the Department of Forestry and Agriculture where the Agriculture Branch supports the position of farmers, and the Forestry Branch upholds the rights of the pulp and paper companies. The two branches of the Department spend considerable time and effort trying to convince one another of the validity of their positions whenever parcels of land suitable for both agricultural and forestry uses become available. The Forestry Branch argues that the declining wood supply for the mills dictates that as much land as possible be reserved for silviculture; the Agriculture

Branch argues that the limited land base suitable for growing crops dictates that prime land be reserved exclusively for agriculture.

Usually the Forestry Branch wins these conflicts because the forestry industry is perceived as being far more important to the provincial economy in general and to the well-being of many towns and communities in particular. Under this adversarial system, the Task Force is surprised that agriculture does not win more conflicts from forestry than it does: the economic and employment benefits from 50 years of annual agricultural crop production from a parcel of land is infinitely more valuable than if that same land were devoted to a forestry use. The point is, however, if a comprehensive land-use policy were in place, principles and guidelines would establish for any given parcel of land what the most appropriate use, or uses, would be.

Some lands which are suitable for agricultural production have been designated as Agricultural Development Areas (ADAs) and their use has been restricted to agriculture and certain other compatible activities. These designations have not been without controversies, particularly in the ADA around the City of St. John's. Once again, farmers find themselves in the middle of conflicts over land-planning issues with municipal governments, with other industrial activities and even with other farmers who do not want their lands frozen.

What this range of conflicts suggests is that action by government is required to develop a comprehensive land-use plan which employs the principles of integrated resource management to determine the most appropriate uses for all available land parcels across the province. In particular, multiple purpose land use should be encouraged where uses are compatible; where multiple purpose land use is not possible, government should determine the most appropriate single use based on land characteristics and quality, resource management and development principles, and economic and social benefits to be derived. This policy should be developed with input from all appropriate departments and agencies, sectoral interest groups and the general public in order to identify the needs of each resource area. For the agrifoods sector, the use and management of land resources is a necessary foundation to building strong, healthy food-producing industries and this should be in the forefront of any integrated land-use planning exercise.

Ensuring that more idle land can be used for agricultural purposes will expand the sector's resource base. In theory, at least, it should also result in a larger volume and a wider range of crops to be harvested and it may satisfy producers' desires to increase their land under production, thereby improving the viability of their enterprises. However, many farmers pay more attention to clearing new land than to maintaining proper fertility levels on land already in production. Good yields will invariably be obtained from newly cleared land for at least a couple of years, but without proper management, land productivity can decline sharply. Therefore, it is more efficient and less costly to keep old land in peak condition rather than to be continually clearing new ground. Government should work with the industry to ensure that agricultural land currently in production is managed efficiently and it should offer land-clearing and development assistance to producers wishing to increase their hectares of land only when the use of existing land is being maximized. Therefore, new land should not be cleared until existing cleared land has been identified and brought back into production.

Both orders of governments should be in a position to provide farmers with financial assistance to improve existing land, renovating lands which were once used for agriculture, but which have lain fallow for many years, and for developing new lands for agricultural purposes. For idle land, assistance should equal that provided for clearing new land. Assistance for upgrading such land should be spread over two years and cover the material costs of fertilizer and limestone, as well as labour.

Peatlands in the province are extensive, level and stone-free. Their use for agricultural production could realistically relieve some of the constraints imposed by mineral soils. Despite considerable research in the use of peat as a growing medium, the major constraint to large-scale development of the province's peat soils for agricultural use is the lack of relatively inexpensive methods of drainage. The industry has still not been able to find pieces of equipment that can be modified to achieve good flotation on the unique bogs of this province. The characteristics of the peatlands of Newfoundland and Labrador are different from those of the rest of Eastern Canada. Therefore, solutions for adapting technology and machinery for peatland drainage and crop production must be sought from places where peat soils are similar to those in this province.⁴³ The federal and provincial governments should provide funds and technical support, through cost-shared agreements, to assist the process of adapting the technology and farm equipment to suit the needs of Newfoundland and Labrador agriculture in general, and peatland development in particular.

Development of the province's peat soil resource is particularly important if the province is to take steps towards self-sufficiency in forage and other livestock feeds. Since feed costs are a major constraint to efficiency in the dairy, poultry and swine industries in Newfoundland and Labrador, import substitution in forage and feeds should be a major aim of future agricultural policy. Further research is also needed into growing field crops, sods and ornamentals and winter grains on peat soils. The Task Force suggests, for example, that government and industry encourage Agriculture Canada's Quebec peatland research station to conduct research on the production of sods from peat soils to reduce the pressures on mineral soils. (A number of related specific recommendations can be found in Chapter 11, which deals with science and research.) With a limited land base for agricultural production all options deserve serious consideration.

The mineral soils of the province pose somewhat different problems; many mineral soils contain very thin topsoil and are quite rocky. Nonetheless, they are good for growing forages, for example. Pasture renovation on these soils may not be as simple as in other areas of the country, but the adoption and development of new techniques will overcome this limitation. Furthermore the fragmented nature of lands containing mineral soils restricts the use of large harvesting equipment common in other provinces. Yet, if effort is focused on seeking appropriate ways to utilize the land, equipment manufactured in other parts of the world can be identified, adapted and used to overcome the problem of small land parcels. With imagination and practical mechanical engineering support, adaptation can be readily achievable.

⁴³ Specifically Europe.

The proximity of a given region to necessary resources can also have a significant impact on the success of agriculture. Isolation from competition can increase the cost and also the value of some agricultural commodities. Therefore, location is another aspect of the resource base that is very important to modern agriculture in this province. The distance of Newfoundland and Labrador farmers from suppliers of agricultural inputs on the mainland and from export markets, and the fact that the province's agricultural resource base is concentrated in pockets of activity often quite distant from markets within the province tend to compound the other problems of climate, soils and topography.

There is no doubt that transportation is a major factor in the cost of various inputs such as fertilizer or agricultural limestone. These higher input costs increase the overall costs of production of most farmers in Newfoundland and Labrador compared to those of their counterparts in other provinces. To remain viable, local producers must become more efficient than farmers elsewhere and they must reduce their reliance on imported inputs. This suggests that agricultural research should be directed toward finding ways to utilize local resources to replace expensive inputs from the mainland. For example, developing fertilizer from fish offal, utilizing all manure and composted materials and finding alternatives to expensive Western feed grains are three options that hold considerable promise for reducing the constraints on local agriculture imposed by the province's location.

It is particularly disturbing that a province endowed with such an abundance of cheap natural fertilizer in the form of fish offal, other products of the sea and some from the land has not placed much emphasis on finding ways of making this available commercially to the agricultural community. It must be remembered that subsistence agriculture in pre-Confederation Newfoundland and Labrador made every use of these resources, particularly those arising from the fishery. It seems as if in the commercialization of agriculture, the range of resources used to allow food to be produced, even in most isolated communities in the province, has been passed over or forgotten, much to the detriment of the sector as a whole. If agrifoods are to be developed in the future, methods must be found to maximize the use of all locally available resources in order to increase productivity and reduce input costs. Looking towards the fishery with a view to utilizing some of its resources in agricultural production appears to be the first step. Government should initiate and support research aimed at developing fertilizers and other agricultural inputs from indigenous resources. In particular, methods for processing, transporting and using fish wastes and other products of the sea as fertilizer to enhance the soil resources of the province should be investigated.

The Task Force therefore recommends that

90. government proceed as quickly as possible to devise and implement a comprehensive land registration system for the province following from the preliminary work undertaken by the Economic Recovery Commission; and
91. government develop a comprehensive and integrated land-use plan for the province, using an inter-agency body, such as the Interdepartmental Land Use Committee, to co-ordinate the plan.

Agricultural Land Preservation

Agricultural land is a finite resource; once used for urban development or lost to wind and water erosion it cannot be recovered. Eroded soil can be rebuilt, but the weathering processes that produce new soil take hundreds of years to accomplish their task. In Newfoundland and Labrador, the most immediate threat to the maintenance of the agricultural land base arises from urban encroachment, particularly in the St. John's metropolitan area. Sod removal from the thin mineral soils, principally used for landscaping purposes, and competition with other resource industries for the use of land also add to the problem. Soil degradation due to agricultural production does not appear to be as great a problem compared to that in other provinces because the land is not used so intensively. However, topsoil removal, erosion, compaction and inadequate addition of organic matter have to be monitored if the limited soil resources in the province are to be sustained.

Other provinces have experienced considerable difficulties in preventing their agricultural land base from disappearing, particularly because of urban and industrial expansion. Key agricultural regions, such as the Niagara Peninsula in Ontario, the St. Lawrence River lowlands of Quebec and the Okanagan region in British Columbia, have lost a tremendous amount of prime agricultural land in recent decades. Some provinces, notably Prince Edward Island, Quebec and British Columbia, fearing their agricultural land base would shrink even further, have imposed restrictions on how agricultural land is used, or have passed legislation aimed at the systematic preserving of agricultural land.

Newfoundland and Labrador does not have a shortage of suitable urban and industrial land, but good agricultural land is at a premium. Therefore, it is imperative that what little land exists for agricultural production be protected and preserved. This province should learn from the mistakes made elsewhere in Canada and implement appropriate measures before it is too late. This dilemma may be overcome partly through raising agriculture's image and visibility to the public in general and partly through a concerted effort by government and industry to extol the virtues of local agricultural production to the economy and to the quality of life of the province's population. The Task Force was informed at its public sessions that there is considerable pressure on government to relax existing restrictions on the use of certain designated agricultural lands. The proposed amalgamation plans may intensify these pressures as expanded municipalities see newly acquired agricultural lands as generating more municipal revenues if used for industrial or residential purposes. There is little doubt that an active strategy aimed at preserving agricultural land will be required in order that more is not lost forever.

An issue that unites all farmers in the province is that of land ownership. In a province where there is a dire need to preserve a small dispersed agricultural land base, the allocation of Crown land suitable for agriculture to individuals through the issuance of leases would appear to be preferable to granting outright ownership of the lands. Issuing leases allows government to place restrictions on the use of those lands for non-agricultural purposes; granting ownership permits individuals to use or dispose of lands as they wish. Under a granting system, then, government risks losing land from agriculture to any number of activities at any time after title has been transferred.

The present policy of issuing Crown leases for agricultural land has caused rancour within the industry. This issue was raised at almost every public session the Task Force held across the province; it generated more public discussion than any other agricultural topic and producers were united in their opinions. Their anger on this issue is easily understood and there is a high degree of legitimacy to their arguments. Producers work hard for many years converting land from scrubland to land which is capable of supporting bountiful crops; they commit themselves and their families to agricultural production under less than ideal conditions; they do not usually have pension plans, unemployment insurance or long-term disability schemes to fall back on for their retirement years or for times when they cannot work the farm. Like most self-employed business people, farmers rely on the value of their accrued assets to provide financial security when they need or desire to leave the industry. Their land is their principal asset and, they argue, without any claim to ownership of the lands they have worked, they can only retrieve a small portion of the market value of those lands upon their retirement. Farmers would like to recoup the full and legitimate return on their investment of years and hard labour. This, at present, they cannot do because the land can be sold only for agricultural purposes.

Farmers also argue that they can never own the land they work under Crown leases, nor can they use leased land as collateral for obtaining agricultural credit from commercial lending institutions. Yet, Crown land leases are a valid and legal form of ownership; the difference between a lease and a grant is that the lease is for a fixed period and land use is restricted to agriculture. Leases can be bought and sold on the open market or transferred to children and relatives provided the terms and conditions are met and approved by the Minister of Environment and Lands. Many leases have been transferred or sold in this province. Leases revert to the Crown only when conditions are not met or if land is not sold or transferred on cessation of farming. Crown land leases are acceptable as collateral for capital loans from the Farm Development Loan Board and the Farm Credit Corporation. These are the main sources of credit for farmers. Land under lease cannot usually be used as collateral for credit given by commercial lending institutions. Some chartered banks and other lending institutions will give operational loans to farmers, but these are usually short-term loans that require chattel securities rather than land as security. However, the banks are reluctant to provide longer-term loans to the agricultural community whether leased or granted land is offered as security.

The imperative that Newfoundland and Labrador cannot afford to lose its limited agricultural land base has to remain paramount. Under previous granting systems, many hectares of land have already been lost from agriculture. Table 7.1 shows that since 1885, 93,000 hectares of land have been allocated for agricultural purposes, of which 72,000 hectares represent agricultural grants issued up to 1925. Yet, only 36,000 hectares have been developed for agriculture; 57,000 hectares, about 60% of all land granted or leased for agricultural purposes, have not been developed for agriculture. The practice of granting ownership of Crown land to individuals cannot ensure that lands remain in agricultural use and, therefore, it does not serve the best interests of society as a whole.

The Task Force believes very strongly that the preservation of the province's precious land and soil resources suitable for agricultural production should be a government priority. The Task Force also sympathizes with producers who work so hard to build their enterprises only to find

Table 7.1
Land Issued for Agriculture
Newfoundland and Labrador 1885 — 1989

Process	Hectares
King/Queen Land Grants (1885-1925)	72,000
Land Development Area Grants (1952-1965)	3,540
Land Grants Pursuant to Leasing (1938-1985)	9,386
Agriculture Crown Land Leases (1978-1989)	8,076
Total Farmland Allocated	93,002

Source: Department of Forestry and Agriculture

that the value of their labour and investments can never be fully realized. It is suggested, however, that the problem lies in the specifics of the approach that has been taken to preserve land, not in the approach itself, nor the rationale underlying it. A more equitable leasing system should satisfy the concerns of most producers while maintaining the overall objective of agricultural land preservation. The modifications would eliminate many of the differences between leased and granted land.

The Task Force therefore proposes that government implement as soon as possible the following changes to the system of issuing Crown leases:

- the term for agricultural leases be extended to 99 years with automatic extension to full term if transferred;
- government change the termination clause in the lease for three years non-use to five years;
- there be a provision to extend the non-use period under clearly defined extenuating conditions, such as in a case where there is a serious illness and no close relative to operate the lease. An independent body should have responsibility for reviewing such applications;
- government make a provision that more than one dwelling can be built on the leased land and that this provision be incorporated into all agriculture Crown land leases. However, the extra housing unit must be for the use of a person engaged in the farming enterprise;

- government eliminate the annual rental fee once the lease's terms and conditions have been met;
- government amend the present lease wording to indicate clearly that timber resources belong to the lessee and can be used by the lessee without royalties, provided the timber is salvaged and not wasted; and
- as an incentive for the farm community to actively support the preservation of agricultural land, once an area has been gazetted as an Agricultural Development Area (thus preserving the entire land base within the area for agricultural purposes), all producers within the ADA using land leased for 99 years be eligible to have ownership title for those lands transferred to them, subject to their meeting certain criteria. Government and the Federation of Agriculture should develop those criteria.

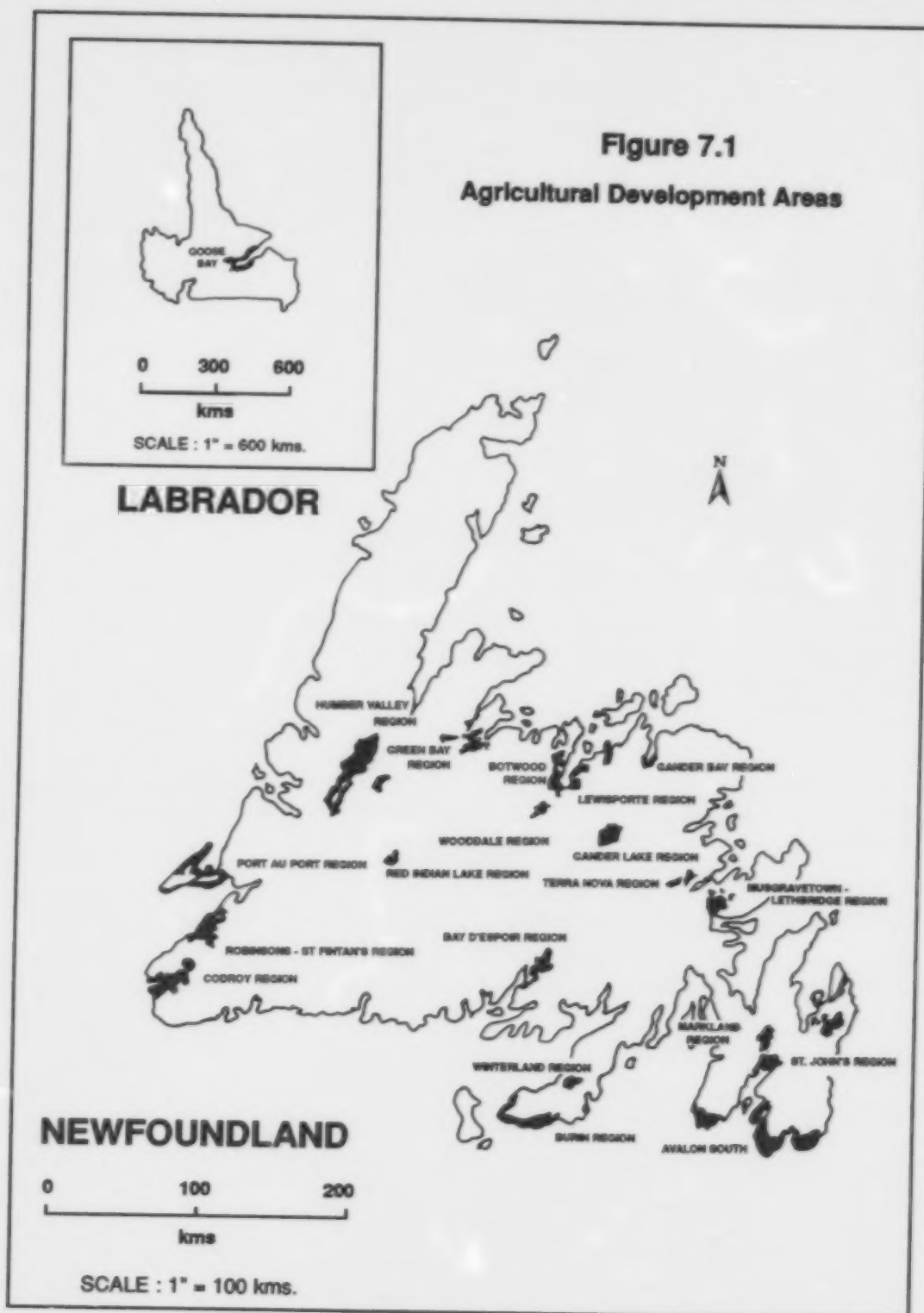
The Task Force's proposals are focused on maintaining and strengthening the Crown land leasing system to sustain the agricultural land base of Newfoundland and Labrador. They also eliminate most of the major concerns of the industry. However, the one issue remaining deals with determining adequate compensation for land assets in situations where farmers are unable to continue production and, at the same time, do not have anyone interested in buying their leased land. Since the aim of the lease system is to conserve and provide easy access to agricultural land, it is logical that government provide for buying back leases that cannot be sold on the open market. Such a program should be fair and equitable and should be part of the land consolidation program that is presently used to purchase granted land within the St. John's ADA. The proposed program should purchase leases back from lessees in the event that lessees are unable to continue farming and cannot sell leasehold land privately. A fair purchase price should be determined based on the cost of any inputs borne by the lessee to bring the land into production or upgrade it, including labour and management costs and adjustments for inflation.

At the same time, there is an urgent need to ensure the security of good agricultural land that has been granted to individuals in past years. It is these lands that are being lost to other uses as farmers approach retirement age and decide to sell their lands to the highest bidder. Such a land preservation strategy can be best achieved through the establishment of ADAs similar to those designated in the St. John's and Wooddale areas. (See Figure 7.1.)

The elements of the strategy would include:

- the Musgravetown-Lethbridge and Humber Valley ADAs being brought under the legislative protection of the *Development Areas (Lands) Act*, as soon as possible;
- plans to bring the remaining two ADAs, Robinsons-St. Fintan's and the Codroy Valley, under legislative protection two to three years after the Musgravetown-Lethbridge and Humber Valley ADAs have been created, depending on the success of that previous experience; and
- a longer-term plan to provide protection for the remaining 14 areas of the province that have already been identified as potential ADAs.

This strategy will not be without controversy and conflict. Designating regions as ADAs means that lands cannot be used for any purpose that is incompatible with agriculture.



Municipalities and industrial concerns are likely to oppose this action fiercely. It also means that farmers who have considered the lands they work to be their own, and expect to receive full market value from their sale at a later date, suddenly find that a legislative act by government has cut their financial security from underneath their feet: their lands are worth only what agricultural use will provide. Therefore, designation of new ADAs (or rather the gazetting of regional ADAs which have already been formally designated as ADAs by government) will require careful consideration by government, particularly of the compensation programs it should offer individuals whose livelihoods will be adversely affected. Inevitably, this will entail government implementing a similar kind of buy-out program to that mentioned above.

The Task Force does not want to treat the issue of people's rights to land ownership lightly by suggesting that government unilaterally and casually designate any area it sees fit as an ADA. The recent controversy over government's proposed amalgamation plans and over a piece of legislation (the *Crown Lands Act*) which threatened to deprive residents of access to ponds and other watercourses attests to the attachment people in Newfoundland and Labrador have to their land and the economic security they derive from it: citizens tend to fight land ownership and use restrictions with a passion. On the other hand, the level of opposition to the idea of creating ADAs for agricultural land preservation purposes must not be overstated. If government can place all of the benefits and advantages of such action before affected residents, build into the process consultation sessions and other means of acquiring public input, and incorporate adequate compensation programs for individuals into the plans for creating ADAs, much of the opposition will disappear. In other words, government should design and implement, as soon as possible, a complete educational program to complement the ADA program. This process may take a few years to complete, but the effort will pay off in the long run.

The legislative establishment of the Wooddale ADA illustrates how future ADAs should be established before competition for lands develops. There has been, and still is, virtually no opposition to land in the Wooddale area being designated as exclusively agricultural and the integrity of the exclusive agriculture zone has been maintained unimpeded. The St. John's ADA has been particularly effective in providing for the continuation of a vibrant farming community in the Northeast Avalon area. However, in contrast to that in the Wooddale area, there has been considerable controversy and opposition to the imposition and retention of this designated area. Several individuals have ignored the restrictions of the legislation and by violating the Act have fought the Agriculture Branch head on. While these individuals may not have won these conflicts, neither has the Agriculture Branch: every conflict is highly publicized and the media attention draws more criticism of government's actions.

Part of the problem is that government has failed to convince the public in general, and the residents of the ADA in particular, of the rationale for the legislative protection of agricultural lands and the options open to residents who feel their lands have been devalued by the government-imposed land freeze. They do not understand why, for example, land within their property boundaries which will never be used for agricultural purposes cannot be exempt from the restrictions of the ADA designation even though that non-productive land forms a very necessary buffer zone between productive agriculture land within the zone and residential land lying just outside of the zone. If that buffer area were to be used for non-agricultural purposes,

the buffer zone would be smaller thereby risking conflicts between farmers and households which would gradually push their way into the reduced buffer zone area.

It is incumbent on government to renew its commitment to the St. John's area ADA, particularly given the expected increased pressures on land which may occur as offshore oil development projects proceed. Although the land within the ADA cannot be used for industrial purposes related to oil development, land speculation leading to higher land values in the region may heighten the visibility and power of campaigns aimed at abolishing the ADA designation. Government's commitment to the St. John's ADA should be accompanied by a public information program aimed at informing all residents in the Northeast Avalon and all other ADAs of the rationale for maintaining such protected areas, the philosophy that underpins the agricultural land preservation policy, and how each section of the program, such as the creation of buffer zones using non-agricultural land, functions to serve the best interests of the community. The program should be extended through television and radio advertisements, newspapers and explanatory brochures at Agriculture Branch or other regional government offices. Similarly, signs could be erected in key locations throughout the ADAs informing the public of the designation.

Just as a chain is only as strong as its weakest link, legislative protection of a community asset is only as effective as the lack of loopholes it contains. There are two weaknesses in the legislation, the *Development Areas (Lands) Act*. The first problem is the effect of increased land fragmentation that occurs as the result of severance through last wills and testaments. Since the court system tends to be protective of testamentary rights in the absence of legislation to the contrary, there is a danger that granted agricultural lands within an ADA may be fragmented into smaller and smaller parcels as land is passed from one generation to another. This can be prevented by amending the *Development Areas (Lands) Act*.

The second problem is the degree of control over agricultural land that can be exercised by municipal governments. Farmers operating within an ADA have been denied development permits for legitimate agricultural purposes by municipal authorities. Under the provisions of the *Municipalities Act* and the *Developed Areas (Lands) Act*, approvals from the provincial and municipal governments are required for developments which are planned within an ADA where the ADA also falls within a municipal boundary. This restriction on agricultural development on land reserved for that purpose was never the intent of the legislation and it is being used by some municipal governments to try and force more land out of the ADAs. The Task Force suggests that this situation be addressed through amendments to the *Municipalities Act* and the *Development Areas (Lands) Act* to give the Agriculture Branch overriding authority for agricultural development within an ADA.

Protection of the fragile soil base of this province should involve more than the simple designation of agricultural production zones. Given that it takes 100 years for 2 centimetres of topsoil to form naturally, the Task Force is very concerned about the practice of removing sods and topsoil from the mineral soils of the province, a procedure that is allowed under existing Department of Forestry and Agriculture regulations. This problem can easily be resolved on land that is leased because leases can be terminated if conditions of their tenure are violated. Limiting sod and topsoil removal on granted land presents greater difficulties because penalties tied to

individuals will not have any effect: farmers who move out of agriculture after removing sods or topsoil may not be very concerned about any future restrictions on government support for themselves. Thus, penalties should be directly linked to the land, not individuals, and they can still apply even if land ownership changes; the land will be devalued as soon as the sods or topsoil is removed and this will make people think twice before engaging in these activities. As a further measure, the Task Force proposes that government and industry develop education programs to ensure that Newfoundland and Labrador farm enterprises utilize sound land management practices, such as the minimal removal of topsoil during land clearing, continual addition of organic matter, cultivation techniques to minimize wind and water erosion, inclusion of forages in crop rotations and the use of cover crops that sustain the soil resource.

The Task Force therefore recommends that

92. government retain its policy of issuing leases to individuals wishing to use Crown land for agricultural purposes. However, the policy should be revised accordingly to lengthen the period of lease tenure to 99 years, allow leases to revert to their full term if transferred and to modify certain other restrictive provisions which currently provoke opposition to the leasing system by industry;
93. government implement an expanded Agriculture Land Consolidation Program, similar to the one currently in effect in the St. John's ADA, as a necessary complement to the designation of future ADAs;
94. the regulations of the *Development Areas (Lands) Act* be amended to prohibit the division of agricultural land through the testamentary disposition of property;
95. government, supported by industry, strongly discourage the removal of sods from mineral soils by anyone for any purpose. Agricultural leases should prohibit the removal of sods and topsoil, and granted land that has had sods or topsoil removed should be ineligible for future government support programs, regardless of land ownership.

Rights, Responsibilities and Opportunities

Securing the land base for future generations of farmers is a principal element involved in the promotion of sustainable agriculture. It entails establishing some legislative rights for producers in order to protect the resources used to produce food commodities. There are other issues, also related to farmers' rights and responsibilities, that need to be addressed to put in place the framework for sustainable development in the agriculture sector.

Protection for farmers who employ sound production and management techniques from legal actions initiated by neighbours who have no connection with, understanding for or sympathy with agriculture is an issue that has systematically arisen in most of the other provinces. As cities and towns expand further into what were once open, rural lands, new suburban residents increasingly come in closer contact with agricultural operations. Despite agricultural planners' attempts to establish buffer zones between farms and residential areas, conflicts do arise. Many of these are considered to be trivial, particularly by the industry, and they may involve residents' dislike for

farm odours: smells coming from livestock operations or from manure being spread on open fields.

So far nuisance lawsuits against farmers are rare in Canada and none have ever been successfully launched in Newfoundland and Labrador. However, the Task Force has been informed that there are as many as 300 complaints related to farming practices submitted to the Department of Environment and Lands every year. Fortunately, many of these conflicts are resolved long before court action is considered, often to the mutual satisfaction of both parties. On occasions, however, farmers have felt they have been unjustly treated. This feeling arises when, for example, farmers have been forced to alter their practices despite the fact that their farms were operating long before neighbours moved into the area. Yet, the power of inhabitants of urban sub-divisions can be overwhelming compared to that of the lone farmer. Alternatively, residents bordering on farms argue that farmers must show some consideration about when and how they apply manure to their fields, regardless of who was there first.

The Task Force believes that the potential for legal action against Newfoundland and Labrador farmers cannot be ignored, particularly since suburban expansion is increasingly encroaching on key agricultural areas. The chilling example of the New Brunswick hog farmer who was forced off his land (and eventually took his own life because he had lost his livelihood) through a nuisance lawsuit, should serve as the impetus to all who are concerned about the future of agriculture. It is imperative that everyone's rights are recognized, but also that producers are protected in accordance with a set of criteria representing normal agricultural practices.

This is not to suggest that farmers have more rights than others within society; simply, there is a very real need, based on experience in other regions, to delineate the basic rights and responsibilities of those who provide food. In other jurisdictions this policy direction has taken the form of rights-to-farm legislation. Since this route has been effective in decreasing nuisance lawsuits against farmers in the United States and in other provinces, the Task Force suggests government move in the same direction. The legislation developed in other provinces (Ontario, New Brunswick and Nova Scotia, for example) should provide good models for developing rights-to-farm legislation in Newfoundland and Labrador. To help farmers prepare for the implementation of this legislation, the Task Force proposes that the Agriculture Branch collect information on all farms in the province to determine what managerial and structural adaptations would be needed and the costs to farmers, to ensure protection under rights-to-farm legislation.

It should also be stated that the growth of the province's livestock industry, the cost of modern manure and waste treatment facilities and the increasing rigidity of environmental protection measures have outstripped the capabilities of many producers to conform to current environmental standards. The Task Force was informed by environmental authorities that several livestock producers, some of them operating large enterprises, could be ordered to cease operations for failure to deal with manure and other waste-related problems. It is understood that Department of Environment and Lands and Environment Canada officials are working with federal and provincial agriculture staff and the industry to find realistic solutions to these problems. Furthermore, the federal and provincial governments' commitments to spend considerable sums of money in future years on projects advancing the concept of sustainable

agriculture will, no doubt, allow some of the more serious and costly issues to be addressed. To facilitate this process, the Agriculture Branch should survey all legislation and regulations which have an impact on farm practices, so that a code of acceptable farm practices can be developed for farmers. In addition, the federal and provincial governments should treat the negotiation of a cost shared agreement on sustainable development as a priority in order that financial assistance may be offered to livestock producers who are encountering problems with their manure-handling systems.

The Task Force cautions all involved with agriculture that the days have gone when farmers can wash their tractors in the local stream or apply agricultural chemicals without regard to runoff into watercourses which eventually are used by other people. All major agricultural projects, particularly those funded by governments, have to pass environmental assessment criteria before approvals are given. Producers should become even more aware than they are of their environmental responsibilities and plan expansions and modifications to their operations accordingly. In particular, the basic elements of sustainable agriculture should be uppermost in the minds of industry and government representatives: current production practices should utilize resources to the maximum, but in such a way that future generations can also benefit from them. Appropriate programs to enable farmers to address deficiencies in their operations and a timetable for implementation of the code of acceptable practices should thus be developed. Further, the legislation and regulations developed in this manner should supersede local by-laws to prevent undue restrictions being placed on Newfoundland and Labrador farmers.

One of the strengths of Newfoundland and Labrador agriculture is the ready perception that, because of our isolation and small population base, we have the cleanest water, air and soil of any jurisdiction in North America. This is not only a perception; it is a fact. For instance, although there is some transport of air pollutants, such as acid rain, into the province, levels are quite low compared to those in other areas. Similarly, even though some of our rivers may contain low levels of pollutants, the biological health of the province's water resources is certainly on a level unmatched anywhere in North America. These strengths are not being fully utilized in the marketing of local agricultural products. This matter will be dealt with in more detail in the marketing chapter, but it is raised here because some expertise should be at hand in the Agriculture Branch to look after the production end of commodities that could be marketed under the "clean", "pure" or "organic" banners. Therefore, an organic production specialist will be needed to provide Newfoundland and Labrador producers with timely, in-depth information on these aspects of production. As a complement, a new and expanded marketing division will play a key role in making sure organically produced food, or food that has special characteristics which can be used in marketing, is properly promoted.

The above points are not meant to imply that the Task Force believes that conventional production practices will quickly fade. Rather, ways may be found to capitalize on opportunities in alternative forms of agriculture. Even within the conventional agriculture context, however, producers must be trained in the safest, most up-to-date ways of managing disease and insects in their crops.

The Federal Pesticide Review Team has recommended that new guidelines for training and licensing persons involved in the sale and use of pesticides (insecticides and herbicides) be developed in consultation with provincial partners. Similarly, the Department of Environment and Lands and the Agriculture Branch appear to concur with these recommendations and they are proposing that a licensing system, accompanied by an agricultural chemicals training program, be implemented soon in Newfoundland and Labrador. The Task Force fully supports these initiatives and advises government to take the necessary steps to make Newfoundland and Labrador producers fully knowledgeable about the safe use of agricultural chemicals. This objective may be facilitated by the addition of an environmental specialist to the staff of the Agriculture Branch.

The treatment of animals in agriculture has become an important issue in many other areas of the world. The confined nature of certain livestock rearing systems, where animals and birds are crowded into small spaces; the feeding and artificial growth stimulation methods sometimes used on animals; and the procedures employed in slaughtering animals for meat, feeds and food manufacturing are three areas where serious questions have been raised about how animals are treated in agriculture. The two areas that need to be addressed in particular are the care of production animals and the treatment of animals that have outlived their usefulness. The Task Force believes it would be prudent for government, as part of its agrifoods policy, to put in place criteria for the humane treatment of animals. Such criteria should be developed in consultation with industry and the public. This will help to ensure that all members in society have the chance to be properly informed about these issues.

At the public sessions, the Task Force was presented with numerous complaints about damage to crops and animals from moose, coyotes and roaming dogs and livestock. There are many options to resolving these problems. Some may only require enforcing current regulations, such as those concerning roaming livestock or dogs. Other options include opening the hunting season earlier in the ADAs or allowing commercial farmers who are permit holders to kill moose that are damaging or destroying their crops.

Some producers suggested that a special permit be sold to commercial farmers which would allow them to sell the meat of nuisance moose harvested by them on producing land (subject to adherence to appropriate health regulations and the maintenance of wildlife management records). The Task Force feels that, although the problems with nuisance moose are being dealt with in a manner which satisfies most farmers, there is always room for improvement. To encourage understanding, the Task Force suggests that formal meetings should be held between Wildlife Division officials and producer associations with a view towards reviewing existing Wildlife policies and regulations so that all concerns and issues are taken into consideration. While there may be some opportunity in the future to utilize these animals and their by-products commercially, action needs to be taken as soon as possible.

The Task Force therefore recommends that

96. the Agriculture Branch continue to develop rights-to-farm legislation, in consultation with the Federation of Agriculture;

97. governments negotiate and implement a cost-shared agreement on Sustainable Agricultural Development as a priority item. Funds should be offered to assist livestock producers who have encountered problems with their manure waste-handling systems;
98. government initiate the development of an organic food policy and the Branch acquire an organic production specialist;
99. government immediately establish guidelines and a licensing system to promote the safe sale, handling and use of agricultural chemicals, hold regional seminars to inform producers and develop a provincial position on the proposed national guidelines;
100. the Wildlife Division, in consultation with the Newfoundland and Labrador Federation of Agriculture, refine existing policy and regulations regarding the harvest of nuisance moose on farms.

Safety Nets

Providing insurance against unforeseen circumstances in the future is a common feature in most people's lives and can be considered an important part of sustaining their economic livelihoods. The most familiar forms of insurance in the agriculture sector are crop insurance and income stabilization. The Task Force has already addressed price stabilization in the livestock industries (Chapter 4). Crop insurance in Newfoundland and Labrador is presently available for the production of turnips, cabbages and potatoes; coverage for established forages and other crops is now under active consideration. At the same time, as part of the federal review of agricultural policy, discussion is continuing on future safety-net options.

The Federal-Provincial Safety Net Committee has developed, as the basis for defining the long-term framework for safety net programs, the concept of the three lines of defence. The first-line defence is the responsibility of each farmer and entails the use of sound production, marketing and financial practices to ensure maximization of net revenue. The responsibility for second-line defence programs is shared between farmers and governments. Programs in this category are designed to stabilize net revenue in the face of production and marketing risks that cannot be controlled by farmers. Crop insurance schemes fall into this line of defence. The third-line defence provides revenue support in unusual circumstances, such as during international price wars, that are beyond those covered by first- and second-line programs.

Defensive strategies in the first-line category are covered in several chapters of this report dealing with production and marketing. For the second-line defence programs, the Federal-Provincial Safety Net Committee has considered various options, such as replacing crop insurance programs with the Gross Revenue Insurance Plan (GRIP) and the implementation of a complementary program called Net Income Stabilization Account (NISA). The GRIP brings together elements of crop insurance and price stabilization into one program that would provide a gross income guarantee at the farm level. The concept underlying this new program is to offset gross revenues so that a revenue increase in one commodity could potentially offset a revenue

decrease in another.⁴⁴ Extension to horticultural and other crops is expected to be more difficult and expensive, and, to determine its feasibility, requires further study and collection of prices and yields data at the provincial level. Depending on the outcome of such analyses the Newfoundland and Labrador agricultural industries could benefit significantly by the implementation of the GRIP. The Task Force proposes that government allocate personnel to acquire the information needed to prepare a position on the province's participation in the GRIP.

The NISA plan would provide individual tax-sheltered net-income-stabilization accounts to which both producers and government would contribute. Payments from the account would be triggered in poor years according to net income, including any GRIP payments. An important feature of the NISA is that any money left in the account at retirement age could be withdrawn in a manner similar to that in a Registered Retirement Savings Plan. This program requires detailed examination for tax policy implications and its impact on producers' incomes.

The Task Force supports the framework for safety nets in agriculture that has been proposed by the Federal-Provincial Safety Net Committee as a guide for continued development of safety net programs. Providing adequate insurance for unexpected events is as important for agriculture as for any other industry and the primary responsibility should belong to each farmer. However, in an industry that is dependent on the combined forces of nature and price fluctuations, some help by government in providing insurance for the unforeseen circumstances is appropriate. In particular, the Task Force supports the move towards extending the GRIP to commodities beyond grains and oilseeds, provided the program in Newfoundland and Labrador can demonstrate its feasibility. There is a need to collect information over the next few years to provide the data necessary to analyze the situation adequately. The NISA program deserves further study since it would not only strengthen the bridge provided by the GRIP in bad years, but could also act as a retirement benefit to a group in society not covered by the retirement plans usually found in other industries and government. However, as the program is now defined, the Task Force has serious doubts about NISA's feasibility for this province's producers.

Farm Financing and Agricultural Credit

The financial resources required for developing agricultural enterprises are critical to the promotion of the sector and its industries. The poor image of agriculture once again comes into play because of the perception that governments, not established financial institutions, provide the funds for agricultural development. Producers' reliance on the Newfoundland Farm Development Loan Board (FDLB) and the federal Farm Credit Corporation (FCC) – both government institutions – for financing is seen to be the result of commercial lending institutions' belief that agricultural projects in this province are too risky for them. The Task Force believes, however, that the cost of developing the agrifoods sector should be shared equitably between governments and the industry. This is not out of line with other sectors or industries where public resources are developed through private enterprise.

⁴⁴ The GRIP was proposed by the Safety Net Committee with implementation scheduled for 1991/92; its implementation has been announced recently by the federal agriculture ministry.

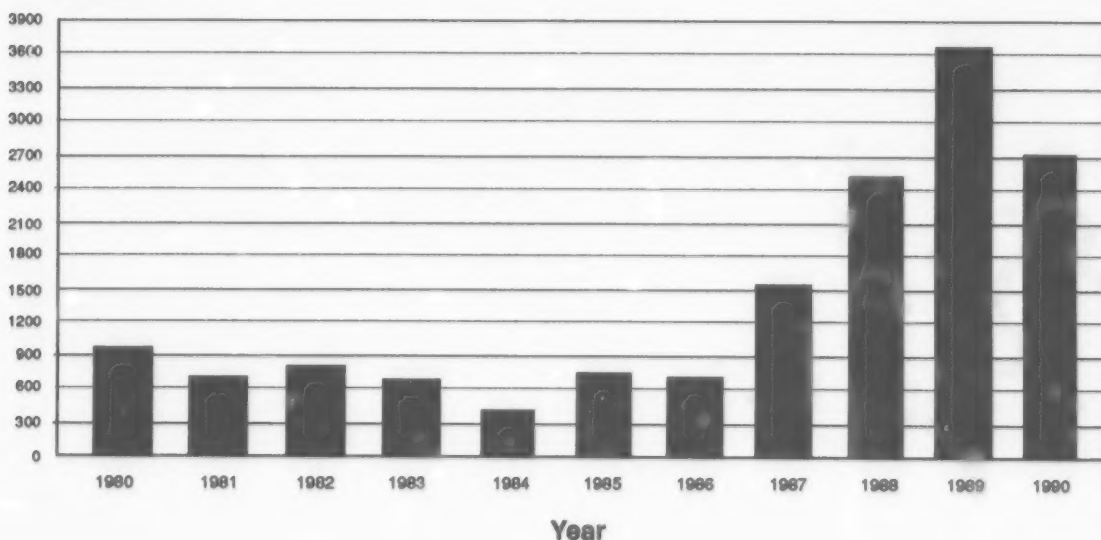
At the public sessions, it was stated frequently that the agriculture industries are more than willing to fund their share of the cost, and that they have been doing so during the last decade. The following Figure (7.2) showing Farm Development Loan Board disbursements demonstrates that there has been a significant rise in farmers' investments in recent years. While there is a good correlation between individual investments and the availability of government funds for development (meaning that government funding is a catalyst to industry investment and not a replacement for it), when government funding was not available to any degree (1984-1987), individual investments did not decline.

The Farm Credit Corporation and the Newfoundland Farm Development Loan Board are the principal lenders to the agriculture sector in Newfoundland and Labrador. In all other provinces, with the exception of Nova Scotia and New Brunswick, chartered banks are the principal sources of farm credit. The amount of credit outstanding to the chartered banks in Newfoundland and Labrador in 1989 was \$4,296,000, or 13% of total farm debt, compared to

Figure 7.2

**Newfoundland Farm Development
Loan Board Disbursements**

\$ Thousands



Source: Statistics Canada, 21-603, 1990

46% in Prince Edward Island, 30% in Nova Scotia, 31% in New Brunswick, and 40% in Canada as a whole. This low level of bank investment in farm credit in this province would suggest either a lack of confidence in the agricultural industry in Newfoundland and Labrador, or a lack of expertise in this field, or both, and it has greatly increased the need for both trade and public sector funding to the industry.

While the FCC has access to a large pool of capital, revised lending practices in recent years and higher interest rates have limited the amount of new loans in this province. The FCC is still the major source of long-term mortgage capital, but most of the Corporation's activities in recent years involve servicing existing clients. Few loans have been extended to new entrants to the industry. This matter was discussed at a public hearing in St. John's this fall held by the Task Force on Farm Finance and Management.⁴⁵ The Task Force supports the Federation's view that FCC program criteria restrict new entrants to agriculture in applying for financial assistance. Since Newfoundland and Labrador farm enterprises, measured in terms of size and equity investment, generally exhibit the characteristics of new entrants to the industry, many local producers cannot take advantage of the FCC as a source of agricultural credit. Moreover, the small, usually multi-commodity farm unit has been the basis of federal agriculture policy support for years, and this will continue if the philosophy of the current federal policy review is maintained. The federal policy emphasis on sustainable agriculture, in keeping with the Brundtland Commission and subsequent efforts to promote sustainable economic development, is conceptually more appropriate to the family farm unit, than to large, vertically integrated agribusiness. Given this, it is appropriate that FCC programs be revised to encourage applications from smaller farming enterprises. This adjustment would achieve consistency with the current tenor of federal policy and with provincial assistance programs across the country which usually include special credit provisions for new entrants, such as lower interest rates or interest forgiveness.

Through the *Federal Farm Improvement and Marketing Co-operatives Loans Act*, loan guarantees can be made to the chartered banks for a wide range of farm improvements, including the purchase and repair of equipment, the purchase of livestock and land, building construction and renovations, as well as refinancing and consolidation of debts incurred from other sources for the above purposes. Despite a number of improvements over the previous *Farm Improvement Loans Act*, this program is not extensively used by farmers in this province. This may be a function of the higher interest rates attached to these loans (prime plus anywhere from 1% to 2.25%, depending on the term), relative to the rates available through the FDLB. The program is more likely to be used by larger commercial farmers who have exceeded FDLB limits and it could become an important source of short- to medium-term credit as rural bank managers and the farm population become more familiar with its provisions.

Traditionally, the FDLB has provided short- to medium-term credit for a wide range of farm improvements and livestock purchases. It has also been used by many farmers as a source

⁴⁵ This task force is one of several study groups established by the federal government to review important agrifoods issues as part of the federal agrifoods review process.

of longer-term mortgage capital. The ceiling on loans (\$75,000 maximum) has limited the program's usefulness as a primary source of mortgage capital for larger enterprises. As a result, a considerable portion of their mortgage capital is extended in the form of second mortgages to farm businesses financed through the FCC. With interest rates well below commercial lending rates and flexible repayment terms, the FDLB has been a popular source of credit for a large number of farmers in the province. A total of 761 loans were outstanding to 424 clients in 1990. The interest rate is subsidized at 3% below the cost of borrowing by the provincial government and it is adjusted twice a year to reflect changes in interest rates. In recent years, the FDLB has entered the market for short-term operating credit, offering up to \$30,000 at the same rates as its term loans.

Table 7.2
Mortgage Lending Limits by Province

Agency	Mortgage Lending Limit
Newfoundland Farm Development Loan Board	\$75,000
Prince Edward Island Lending Authority	No maximum loan limit
Nova Scotia Farm Loan Board	\$300,000 with loans exceeding this amount requiring Cabinet approval
New Brunswick Agricultural Development Board	No maximum limit
Quebec Farm Credit Bureau	\$800,000
Ontario Ministry of Agriculture and Food	Does not offer long term mortgage financing
Manitoba Agricultural Credit Corporation	\$300,000
Agricultural Credit Corporation of Saskatchewan	\$500,000
Alberta Department of Agriculture	\$250,000
British Columbia Ministry of Agriculture and Fisheries	\$300,000

Source: Agriculture Canada

As Table 7.2 shows, the maximum level of borrowing from the FDLB is considerably below the lending limits offered by agencies in other provinces. These limits apply to direct loans and bank guaranteed loans through chartered banks.

Loans are offered at slightly above the prime lending rate for most agencies, but in Nova Scotia, New Brunswick and Alberta they are set at well below the prime lending rate. Interest subsidies are offered in most provinces to new farmers in the initial years of farm establishment. Most of the provincial lending agencies in other provinces make use of loan guarantees through the chartered banks to secure the capital required for both short-term and long-term agricultural credit programs. The exceptions are Newfoundland, Nova Scotia and Prince Edward Island.

The range of financing options available through the FDLB, within current lending limits, would appear to be comparable to options available in other provinces. This is the case in the

provision of subsidized credit to new farmers, subsidized operating credit, payment deferrals and interest forgiveness for farmers in financial difficulty, flexible financing and refinancing terms, and the provision of special loans to assist farmers in recovering from natural disasters. However, all other provinces tend to address these specific needs through a wide range of programs, with different lending criteria, repayment terms, interest rates and lending limits for each type of loan. For example, the Nova Scotia Farm Loan Board offers loans to commercial farmers under different terms, interest rates and limits than are offered to part-time farmers, and interest forgiveness to young first-time farmers in the initial years of farm development. It also administers a Farm Land Purchase and Leasing Program.

The New Brunswick Agriculture Development Board offers nine separate programs to address specific agricultural development objectives: loans to farmers, an agricultural operations program (covering storage, grading, marketing and other pre-processing activities), interest subsidies, a land lease-purchase program, operating capital guarantees, livestock incentives, farm marketing loans, fox and mink assistance and a program for new entrants. Interest subsidies in Nova Scotia and New Brunswick also reduce the interest rate for new farmers (to zero in many cases) during the first two years of farm development. Such programs provide greater flexibility in recognizing the variety of circumstances in which farmers may find themselves.

The Task Force suggests that the FDLB develop programs to address the special needs of commercial farmers, new farmers, part-time farmers and farmers in financial difficulty. These programs would be administered by utilizing different terms, interest rates and repayment schedules depending on the needs of these groups and should be clearly linked to governments' agrifoods development policy objectives. If the FDLB were to enter the farm mortgage market, a minimum lending limit of \$300,000 would be required to retain first mortgage status on most farm accounts. However, such an increase in the lending limits to all commercial farmers at below commercial bank rate, particularly at rates below those offered by the FCC, would tend to displace lending by other agencies, particularly for new entrants. Similarly, increasing the amount of subsidized operating capital to all farmers would tend to displace both the commercial banks and trade suppliers as potential sources of operating funds.

Recent Treasury Board restraints and clear instructions to the FDLB to reduce its capital requirements might make it difficult to secure the capital required for an increase in direct lending to farmers. While stricter lending criteria could be used to reduce capital requirements somewhat, this would remove one of the important features of the FDLB: its flexibility in financing higher-risk farm development initiatives which are unlikely to attract financing from commercial sources. The provision of loan guarantees under programs similar to the agricultural lending agencies in other provinces would reduce the direct capital requirements of the FDLB in the long term, and might provide an incentive to the chartered banks to become more involved in agricultural finance in this province, including the provision of short-, medium- and long-term credit to farmers. This option is one which might be explored further with the FDLB as a means of freeing up capital for other, more specific, purposes related to new farm development and farm improvement. On this basis, government should consider extending the availability of both long-term mortgage capital and operating loans through the chartered banks by providing loan guarantees, and

extending the limits on these loans to levels comparable to those available to farmers in other provinces.

The provision of credit through loan guarantees would also tend to reduce demands on the existing FDLB staff, as well as the demands on Branch extension staff, in helping to prepare credit applications to the Board. This is particularly significant if agricultural lending limits are to be increased. In addition to servicing more clients, lending larger amounts of capital involves greater financial risk and would require considerably more analysis and evaluation than is required under the present program. FDLB and extension staff could, however, play an important role in providing the technical expertise required by the chartered banks in assessing farm development proposals. This type of technical support would be especially important in Newfoundland and Labrador given the absence of an expertise in agriculture within the financial community.

Any significant change in the role and mandate of the FDLB in servicing the financial needs of agriculture in the province would require a thorough review of the experience gained in other provinces in providing various forms of agricultural credit. A thorough assessment of Newfoundland's farm credit needs would also be required. However, the fundamental question to be answered is whether the primary purpose of the FDLB is to encourage new agricultural development and farm modernization or to make cheap credit available to all commercial farmers for a wide range of purposes. In the latter case, subsidized farm credit would tend to be used to reduce operating costs and, as such, it can be seen as a means of subsidizing farm incomes in general. Offering assistance to established commercial farm operations at rates closer to commercial lending rates would tend to free limited resources for the more specific needs of new farmers and farmers in financial difficulty.

The FDLB has reported that a significant amount of interest was written off for clients in recent years. This usually involves an assessment of the financial difficulties clients experience and the reason behind these difficulties. The FDLB might wish to consider a more formal approach to its policy of interest write-down as a means of restricting this option to those farmers in most need. This could be accomplished by subjecting clients requesting financial concessions to a formal review process, either within the Branch or through the Newfoundland Farm Debt Review Board. The latter option is recommended, given the arms-length relationship between the Review Board and the FDLB, the impartial nature of the farm debt review process, and the ability of the Review Board to engage all creditors in the identification of new financial arrangements and to address the difficulties being experienced by the client. This formal review process is being utilized to a greater extent by lending agencies throughout Canada prior to offering financial concessions to farmers, and it helps to ensure that all those who have a vested interest in returning farms to a viable financial position contribute to the financial restructuring process.

While the issue of farm management skills and training is to be discussed later in this chapter, it should be pointed out that management training is also important in reducing financial risk and encouraging lending for specific farm development purposes. Providing training for new

entrants, on-farm counselling and extension education programs are important in building and maintaining creditor confidence in the agricultural sector.

The Task Force therefore recommends that

101. government request the Farm Credit Corporation to adjust its program criteria to provide a favourable interest rate to new entrants to the agriculture industry with particular emphasis on giving special consideration to the family farm unit;
102. farmers and local bank branch managers be encouraged to make greater use of the provisions of the *Federal Farm Improvement and Marketing Co-operatives Loans Act* to secure loans for farm improvements;
103. the lending limit of Newfoundland Farm Development Loan Board for capital loans be raised to at least \$150,000, and that operating loans be improved and carry a roll-over mechanism; the equity requirement be reduced; and the authority of the credit manager be extended to permit approval of small loans to clients with a good credit rating; and
104. the FDLB make greater use of the Farm Debt Review Board as a forum through which clients in financial difficulty can be offered special financial assistance in co-operation with other lending agencies.

Taxation Issues

Taxes are the bane of any business's existence, but like death, they are inevitable. Although agriculture has a special status (and that status does allow producers to claim exemptions from certain taxes), there are two taxation issues that are causing concerns within the industry: municipal taxes and the new Goods and Services Tax (GST).

Municipal taxes are a problem in some areas of the province where municipal councils are charging business taxes out of proportion to farmers' abilities to pay. Because productive farms are exempt from provincial property tax, some municipalities try to make up revenue losses by adding a farm business tax. This destroys the intent of the property tax exemption. This situation is complicated further because business tax is based on the property tax assessment and the province does not have assessors trained in the area of agriculture; thus property values often reflect the residential or commercial value of land rather than its true agricultural value.

The Task Force recognizes municipalities' rights to impose business taxes on productive agricultural enterprises. To suggest otherwise and allow agricultural businesses to operate outside of the municipal taxation system would again perpetuate agriculture's special status and the perception that its industries are not really commercial enterprises. The Task Force accepts the Federation of Agriculture's recommendation that business taxes should be based on farmers' abilities to generate income and not on property tax values. The Federation and the Branch are encouraged to study this issue to arrive at a solution that satisfies both the industry and municipalities.

On January 1, 1991, the federal government levied a 7% Goods and Services Tax (GST) on almost all products and services at the consumption level in the economy. It is collected on both Canadian goods and imported items, but basic agricultural food products are not taxed. To ensure this exclusion, production and distribution activities along the entire food chain are exempt from the tax. Taxes levied at any point in the process are rebated to the vendor of the item. Inputs for the production of food items, as well as non-food agricultural items, certain services provided by farm organizations and boards and ready-to-eat goods not prepared at home are subject to taxation under the GST system. In the food production industries, farm inputs are taxed, but farmers can apply for input tax credits. These inputs include all the various categories of inputs from machinery, energy, supply, seeds and feeds, fertilizer, pesticides, veterinary services and certain services provided by farm organizations as well as other operating supplies. Because of the potential time lag between purchase of inputs and receipt of tax rebates, the GST system may increase the level of operating credit requirements for farmers. This requirement could translate into cash-flow problems for producers. In recognition of this potential problem, the Task Force suggests that the Farm Business and Evaluation Division of the Agriculture Branch, in co-operation with the industry, monitor any impact of the implementation of the Goods and Services Tax on individual farm enterprises. In particular, the Division should note and accommodate any increased demands by farmers for agricultural credit as a result of the GST.

The GST system recognizes the potential burden of the compliance and administrative costs incurred by farmers' enterprises, most of whom qualify as small businesses. For this reason, the proposed GST legislation provides a prescribed list limited to major items purchased by farmers, such as combines and large tractors. Items on this list are unconditionally zero-rated.

Two major categories of farm products for sale are recognized under the GST system:

- basic foods taxed at a zero rate — these include agricultural products, farm livestock, freshly caught fish and other seafood products;
- non-food items which are taxable under the GST System. These include nursery products, sod and soil, seeds and natural fertilizer (not sold in bulk), tobacco, wood, horses, wool, fur and animal hides.

Farmers who produce a combination of basic food and non-food items will have to develop an accounting system to remit tax on the non-food items they sell. Food processors will have to identify and differentiate between basic and non-basic foods which they sell to grocery stores. To the extent that processors produce and sell non-basic foods, they have to remit taxes on these products. The potential time lag between tax charges on the non-food inputs and input tax credit rebates may cause credit requirements to rise, together with the associated interest payment increases and the potential cash-flow problems.

Under the GST system, services provided by marketing boards which take title to supplies, are zero rated, while services provided by those boards and farm organizations which do not take title to products or supplies are taxed. These products will be taxed since they are also regarded as inputs in the operating process of the producer. The producer can apply for input tax credits and rebates on these services and inputs. Like legal aid, educational services and agriculture and

fishing, basic groceries are non-taxable (zero-rated) under the GST system. However, restaurant meals, take-out and prepared foods are taxed.

The Task Force suggests that both orders of government, the Federation of Agriculture and other agrifoods associations collectively assess the imposition of the GST in this province and to inform the community of the GST's potential impact on agriculture and the food industries. There is little evidence that consumers are aware of which categories of foods are affected by the tax, and the distinction between taxable and non-taxable items is neither clear nor simple. Some food items have increased in price because of the serving size, rather than because of the nature of the product. Milk sold in schools and cafeterias, for example, has risen in price because both GST and provincial sales tax now apply to small servings. The co-operation of appropriate federal agencies, the Consumer Affairs Division of the Department of Justice and of local consumer groups, such as the Consumers' Association of Canada, should be sought so that all parties – producers, the food processing and distribution industries, the food service trades and consumers – are fully aware of how the GST is affecting the prices of food in this province.

The Task Force therefore recommends that

105. the Agriculture Branch and the Federation of Agriculture together propose solutions to resolve the problems associated with municipalities imposing farm business taxes based on property tax assessments; and
106. the Branch and the Federation of Agriculture jointly assess the overall potential impacts of the GST on the Newfoundland and Labrador agrifoods sector and, in conjunction with the relevant federal agencies, develop methods to inform industries and their associations.

Farm Management

The Task Force made the claim earlier in this Report that farm enterprises are businesses operating on the same commercial principles as businesses in other industries. Unfortunately, this is not the general perception in this province. For some reason, farms are often viewed as something less than businesses, as operations where individuals grow produce, sell it off the back of a truck and do not have to worry about income tax declarations, labour regulations or other business-like details. This is far from the truth, even for part-time farmers who grow only a few hectares of vegetables or raise a few head of livestock. Failure to pay attention to business details in running agricultural operations results in economic disaster. As agriculture becomes more sophisticated and complex financially, management skills become almost as important as production skills. Even the most experienced farmers have to keep abreast of business, financial and management planning techniques.

Several characteristics of the agriculture sector make farm management services an important vehicle for farm training and professional development. These include a high percentage of farmers with less than Grade Nine education, those disadvantaged by geographic isolation from agricultural colleges and those experiencing difficulties leaving the farm for extended periods to pursue training in agriculture. Yet, without sufficient training in both

production and financial management, a significant proportion of the farm population will find it increasingly difficult to compete as the sector moves towards more sophisticated farm technology and greater use of credit to fuel capital expansion in the face of direct competition from the major agricultural production areas of North America.

Farm management extension services in the province have tended to focus on individual counselling. The objective has been to train farmers to recognize farm management problems and to deal with them effectively before the situation becomes so serious that recovery is impossible. The individualized counselling aspect of the existing program is very important, given the diversity of management problems encountered by Newfoundland and Labrador producers. However, the current farm management program has placed little emphasis on techniques designed to prevent problem situations from occurring, such as in developing farm management educational materials and designing formal management training courses. The farm management extension program should be expanded to include farm management education and the delivery of specialized courses in farm business management. This could be accomplished in co-operation with various private and public sector agencies involved with extension education, business development and the delivery of training programs.

The administration of provincial and federal-provincial programs entails assisting farmers in completing proposals for financial assistance. This has tended to be an information-gathering exercise, rather than an opportunity to promote farm planning, and has done little to encourage producers to recognize the financial implications of their farm investment decisions. In fact, the requirements for detailed financial information and farm development plans have been more relaxed in the current federal-provincial farm development programs than under previous programs. Agricultural field staff are often left with too little information on which to base an accurate assessment of the viability of funding proposals. The Task Force suggests that to be eligible for major provincial or federal-provincial financial assistance programs, agricultural enterprises should be required to submit a detailed development plan which also identifies farm finance or management skill upgrading requirements.

Very little financial management training is included in the technical and post-secondary degree programs completed by most of the Agriculture Branch's extension staff. While agricultural economics and farm financial management are specialized areas of study, giving advice on changes in production practices must be made with at least a basic understanding of the financial implications involved. Agricultural field staff must be given the tools to provide basic financial advice to farmers and to identify potential problems as they arise. They must also have a knowledge of farm financial management at least comparable to the level of knowledge being encouraged amongst farmers. More complex issues would be referred to the Farm Management specialist in much the same way that crop and livestock specialists are called in to solve complex production problems. This approach to agricultural extension requires field staff to gain more knowledge of farm financial management and a recognition that farm development planning involves addressing production, marketing and financial issues as they relate to particular farm operations and trends in the industry. The challenge for specialist staff in all of these areas is to service effectively the information needs of both farmers and field staff in adopting a more integrated approach to farm planning.

Branch difficulties retaining qualified specialists in farm financial management were cited a number of times to the Task Force. This is caused in part by the low salary levels offered to Newfoundland and Labrador agrologists compared to salaries in other provinces and the private sector. One solution would be to encourage and promote the retraining and upgrading of farm business management staff who have demonstrated an interest in working in this particular field of agriculture within Newfoundland and Labrador. The Agriculture Branch is also the only group within government which addresses industry training needs by having a comprehensive extension education program and farm management specialists. As a result, continued upgrading and professional development is required to maintain the level of knowledge and understanding required to teach farmers the production and financial management skills needed to remain competitive. More funding must be put in place to accommodate specific training and development for agricultural extension staff and farm management specialists if they are to keep abreast of improvements in agricultural technology and farm management extension techniques.

Restrictions on public servants' out-of-province travel are an impediment to staff training because specialized courses in farm financial management are not available in the province. The type of training required is offered regularly at agricultural colleges and in the private sector in other parts of Canada and the United States. Therefore, while restrictions on out-of-province travel may be justified in some departments of government which have ready access to local training programs, it must be recognized that the agricultural sector is isolated from the major sources of professional training. This issue must be reviewed carefully by the Branch.

The Task Force on Farm Finance and Management, which is involved in the federal government's agrifoods policy review, is expected to make recommendations regarding both federal and provincial government involvement in farm management training. It will probably recommend greater attention to staff training needs as well as more private sector and other agency involvement in farmer training and counselling. The provincial government may want to examine possible cost-shared funding arrangements which may lead to an improvement in farm management training in this province. However, regardless of funding sources, there is a need for a high-level farm financing planning service with the appropriate technical and specialist support staff.

The Task Force therefore recommends that

107. the farm management extension program be expanded to include farm management education and the delivery of specialized courses in farm business management;
108. in co-operation with private- and public-sector agencies, the Agriculture Branch expand the farm management extension program to include farm management education and the delivery of specialized courses in farm business; and
109. the required training over the next two or three years to upgrade the farm business management skills of both farm management specialist staff and agricultural representatives be conducted at in-service sessions held at appropriate locations across the province.

Chapter 8:

Towards a Food and Nutrition Policy

At the December 1989 "Growing Together" Conference in Ottawa, Jim White of Jim White's Food Group predicted there will be a revolution in agriculture in the next decade: the market for food products is going to be driven principally by nutrition forces.

At any one time, 22 million North Americans are dieting and want low-fat or no-fat foods. They are also indicating they want foods that are produced with fewer pesticides, fewer insecticides and fewer preservatives and more wholesome, fresh and "natural" foods to be offered in the market place. Products like bacon (high in fat, sodium and nitrates), whole milk (with 3.25% butterfat) and processed foods cooked in animal fats are likely to go the way of the carrier pigeon. So, too, will the concept of measuring dairy products and charging for them based on the amount of fat they contain; some 42% of all dairy sales in the United States last year were "lite" or diet foods and this proportion is increasing at a rate of 8% a year.

Mr. White was instrumental in creating the President's Choice brand of "green" food products for the Loblaw's chain and he helped to develop 750 products which have been marketed under this banner. He also invented the Decadent Chocolate Chip Cookie using real creamery butter instead of hydrogenated fat, and a butterball turkey impregnated with butter rather than hydrogenated coconut oil. Both are best sellers in Canada.

Many food industry experts, economists and food health professionals also argue that consumer-behaviour is changing dramatically and several studies recently have outlined the role policy makers should play in promoting and accommodating new food marketing and consumption patterns. The 1990 report *Action Towards Healthy Eating*, sponsored by the Department of National Health and Welfare, for example, stated that an increased flow of food and nutrition information, a greater emphasis on dietary advice and more awareness of environmental issues suggest that consumers in Canada are making significant dietary behaviour changes. Social and lifestyle factors will also have a tremendous impact on food production and purchasing practices in the coming years and governments need to set guidelines and encourage the food industry to make nutrition a primary consideration in the development and marketing of foods.

Food Purchasing

Newfoundlanders are showing some evidence of following this international food-consumption trend and of recognizing the links between nutrition, lifestyles and health, albeit at a slower pace than in the rest of the country. People's food choices reflect a complex interplay of parental influence, cultural heritage, formal and informal educational influences, levels of advertising and economic circumstances. Several of these factors combine to explain a generally lower awareness of the importance of food health and nutrition among the population of this province. In particular, the transformation from a subsistence-based food supply to an industrial food system took place over a shorter period of time than in other parts of Canada and with a smaller infrastructure to support the population during this transition.

The result of these changes is that since Confederation, this province has moved away from a reliance on a staple diet of fish and other subsistence foods, which provided the nutritional requirements for a strenuous, outdoor lifestyle, to a dependence on new, processed foods, marketed internationally through the industrial food supply system. This shift has occurred in only a few decades and it was assisted by the powerful advertising medium of television. Improved communications, particularly since the 1960s, allowed Newfoundlanders to see how other North Americans were behaving. Improved transportation and the consolidation of the food distribution system internationally, meant that more and more of the fads and fashions of the rest of North America could be brought to this province. It is not surprising, therefore, that the first international fast-food outlet to be opened in Newfoundland in the 1970s set sales records within the organization, or that in less than twenty years virtually all major food chain restaurants have established outlets in the capital city and in many of the smaller towns across the province.

These changes in Newfoundland and Labrador food consumption patterns have been accompanied by a move towards a more sedentary lifestyle and greater emphasis on leisure. More of the population is now engaged in non-physical work which requires a different kind of basic food intake than occupations involving physical labour. Through promotional activities such as lifestyle advertising, food and beverage companies have capitalized on the fact that people are devoting more of their time to sports, recreation and leisure so that product marketing has been geared to images rather than to nutritional requirements. The persuasiveness of promotional messages, coupled with the availability of an increasingly wide range of new "leisure" food and beverage products developed for the international market, have contributed to major shifts in food purchasing patterns.

In the school system, the inclusion of nutrition and food-related curriculum content has been less than ideal, resulting in minimal institutional emphasis on nutrition and foods. This point is illustrated graphically by the predominance of hamburgers, fries, dressing and gravy in school cafeterias and the correspondingly low demand for soups, salads and fresh fruit. Furthermore, extension, home economic and community nutrition services were virtually non-existent over the past couple of decades when the dramatic transition in the food delivery system occurred, illustrating that not only is nutritional guidance missing from the education system, but that it may also not be available at home.

The use of highly processed convenience foods is steadily rising even though basic foods prepared in the kitchen are generally more economical and nutritious and often do not require more time to prepare than the convenience substitutes. However, this goes hand in hand with observations made by home economists that food preparation skills are also on the decline in this province. Many children are not taught to preserve foods, to cook, bake or prepare meals either in the home or in the school setting, even though their parents probably grew up in an environment where food preparation took place almost exclusively in the home. In the absence of these skills, the power of mass media advertising has been a major determinant in shaping food choices and general attitudes towards diet and nutrition.

On the other hand, there is considerable evidence to suggest that many Newfoundland and Labrador consumers are demanding that more nutritious and healthful food products be offered in retail stores and in the food service trades. The rapid increase over the last decade in sales of light beers and diet soft drinks, the wide range of calorie-reduced foods from ketchup to yoghurt available in most grocery stores across the province, the switch from whole milk to 2% milk (more recently, to the new 1% milk product) and the corresponding move away from fresh creams, all reflect the fact that consumers are more concerned about the kinds of foods they eat.

In the commercial food service industries there are similar signs of change and of the sellers' responses. Many of the fast-food chains have established salad bars to accompany what has generally been referred to as "junk" food, and they are promoting the nutritional aspects of their foods almost as much as the convenience factor. Fried foods are invariably cooked in vegetable oils, and fresh milk and juices are offered as alternative beverages to the colas. Restaurants have begun making a practice of listing the ingredients used in their dishes and offering information for customers who might suffer from allergies: for instance, restaurants normally using monosodium glutamate (MSG) in preparing food often let it be known that customers can have their meals cooked without this taste enhancer if they so desire.

The trends described above may be more prevalent in the larger urban centres of the province, particularly in St. John's, with its diverse, cosmopolitan population. Compared to those living in more remote, less populated parts of the province, urban consumers benefit from being close to where foods are processed (or where they enter the province) and from living in a high-volume market area. Thus, not only is there a wider range of foods available and in greater volumes, but concern over food spoilage during transportation and in-store presentation is not normally an issue for urban retailers: freshness and style of product presentation can be high priorities. Rural grocers, on the other hand, are more likely to offer a fairly narrow range of staple foods in frozen, canned, dry or vacuum-packed forms, because of limitations on storage space and refrigeration equipment.

In the more isolated regions of the province, particularly along the coast of Labrador, the range, quality and nutritional value of food products offered in stores can be extremely poor. While limitations on the food distribution system and the costs involved in overcoming those limitations are the principal reasons for such restricted food offerings, the end result, nevertheless, is that a significant proportion of rural residents may not be able to obtain healthy and nutritious foods regularly. This segment of the population is more likely to suffer from

nutrition-related health problems. As a general principle, all residents of Newfoundland and Labrador should have regular access to at least a basic range of food products which contribute to healthy diets, including fresh produce, meats, fish, dairy products and breads.

It should be noted, however, that many rural residents, who until quite recently lived far from grocery stores offering a broad choice of foods, are increasingly able to visit urban supermarkets for their weekly grocery shopping. A combination of improved roads, increased use of motor vehicles in rural communities and improvements in the food distribution system (supermarkets have been built in even smaller towns throughout the province) account for this phenomenon. This means that traditional rural grocery stores are taking on more of a convenience-store function and also that the range of foods they can offer may be widened as the food distribution system improves and rural consumers' demands for certain kinds of foods increase.

Environmental Considerations

On the environmental side, the President's Choice brand of food products is becoming increasingly popular as consumers are drawing direct links between food quality and environmental considerations. Foods under such labels as President's Choice are billed as being of a higher quality nutritionally because either they are made from real food ingredients or because they contain minimal preservatives. In addition, the package materials are either recycled or the degree of packaging is minimal, capitalizing on the notion that "environmentally friendly" food products are also likely to be better for you.

Perhaps because Canada is the most wasteful society in the world,⁴⁶ consumers are becoming sensitized to the problems associated with wastes and this is beginning to affect their food buying habits. Consumers are starting to respond to the message that styrofoam trays and excessive layers of plastic wraps are wasteful. Last year, a specialty store in St. John's hung a notice stating that if styrofoam packaging was not desired, the consumer could request that foods be wrapped in wax paper. Six months later, the notice was changed to explain that the store would use styrofoam trays only if the customer so requested.

The move away from certain types of packaging has direct implications for the preparation, presentation and quality of foods. Given a choice, consumers are becoming more likely to select unwrapped foods than pre-packaged products. Thus, the larger grocery retailers are setting up fresh fish shops, butcheries and deli counters within their stores as an alternative to the refrigerated presentation cases where foods offered have been wrapped, weighed and priced in a back room beforehand. Many supermarkets use bulk food bins to offer loose items ranging from peanuts to shrimps which customers select, weigh and bag themselves. In one sense, these

⁴⁶ Each Canadian, on average, produces 2.2 kilograms of garbage a day. Packaging alone accounts for 50% of this by volume, and less than 2% of our wastes are recycled, compared to 10% in the United States, 16% in West Germany, and 51% in Japan. For further information, see "Garbage Crisis", *Food in Canada*, April 1983, and the Canadian Council of Environment Ministers' Task Force report, *Proposed Packaging Protocol*, 1989.

more recent innovations in grocery retailing represent a return to the fishmonger, butcher and quality family grocery store style of the past — all within the confines of a modern supermarket.

While there may be some basic differences between urban and rural demands for food products, the nutritional revolution which will probably occur in the food industry within the next decade and the impact of consumers' concerns over excess packaging will affect the entire province. It is imperative that all who are associated with the agrifoods sector — from the farmer to the food service industries — be prepared well in advance and that the development of an appropriate public policy precede rather than follow this process.

Food Consumption, Nutrition and Health

The food selection and lifestyle of Newfoundlanders and Labradorians appear to have had a detrimental impact on their nutritional and physical well-being. Diets of deep-fried, heavily-salted and fatty meats, sweet desserts, confectionary, highly processed, ready-prepared food and snacks of dubious nutritional quality are not balanced by foods with a high-fibre content or by fresh fruit, vegetables and dairy products. It is well known that the per capita fresh fluid milk consumption in this province is only half of the national average, but the per capita consumption of canned evaporated milk exceeds that of all other parts of the country by a considerable margin.

These concerns are compounded when the dietary behaviour of our young people is examined. Bad habits related to diet are often passed on from parents and they can be perpetuated and reinforced in schools. A recent Queen's University study⁴⁷ of the dietary habits of school-aged children across the country in Grades Four, Seven and Ten showed that

- nearly half of the young people do not eat a balanced diet;
- approximately 30% of 9-year-old males do not eat vegetables daily;
- 20% of 15-year-olds do not eat breakfast;
- two-thirds of young people have diets high in fat and one-quarter have high-sugar diets;
- as young people get older, they are less likely to eat yellow vegetables, fish, beans and whole grain cereals and breads; and
- boys typically eat more high-fat and high-sugar foods than girls.

Young people's eating habits are nutritionally poor for the nation as a whole. However, school children in Newfoundland and Labrador have the poorest eating habits of any province in Canada. In almost all categories of diet, nutrition and lifestyle, Newfoundland and Labrador children came out worse than those in all the other provinces, sometimes by a wide margin. Comparing school children in Newfoundland and Labrador in Grades Four, Seven and Ten to their counterparts in other provinces, it was found that

⁴⁷ "Canadian Health Attitudes and Behaviours Study", Health and Welfare Canada, Kingston, 1984-1985.

- the percentage meeting the daily and the variety criteria of the four food groups was the lowest, and well below the Canadian average, for all three grades sampled;
- the percentage meeting the requirements for fruits and vegetables, and milk and milk products was the lowest and well below the Canadian average for all grades;
- the percentage meeting the requirements for meat, fish, poultry and alternatives was slightly higher than average for Grades Four and Seven, but slightly below average for Grade Ten;
- the percentage meeting the requirements for breads and cereals was the lowest for Grades Four and Seven and almost the lowest for Grade Ten;
- the percentage consuming foods high in sugar, salt and fat was the highest for Grades Seven and Ten in all three categories and well above average for all three categories for Grade Four;
- the percentage consuming foods high in fibre was the lowest in Canada for all grades; and
- the percentage consuming potato chips, corn chips, pretzels and soft drinks was substantially higher than the Canadian average for all grades.

If the national results showing poor dietary and nutritional behaviour among Canada's youth are combined with the results of the provincial portion of the study which indicates Newfoundland school children exhibit even worse habits than the rest of the country, it is clear this province has a serious problem. The dietary and nutritional habits of young people in this province are far from what can be expected to promote a healthy population. As learning ability has also been shown to be directly related to physical health, the problem takes on another dimension which has implications for the province's education system. Unless these trends are turned around, our youth are likely to grow up carrying their bad eating habits with them, thereby putting themselves at risk from serious dietary and medical problems later in life. More alarming still is the strong chance that when this generation become parents they will pass on their poor eating habits to their children.

Treating diet-related chronic diseases, such as osteoporosis, obesity, hypertension, heart disease and some forms of cancer is expensive. At a time when funding for provincial health services is under tremendous pressure, and recognizing that no society can tolerate an unhealthy population, efforts must be made to institute preventative health care: the area of food health and nutrition is one that can be addressed immediately at minimal cost to the treasury. It should involve the co-operative efforts of nutrition and health care professionals, the education system and food producers.

Agrifoods and Nutrition

Farmers and food health professionals (food scientists, nutritionists, dieticians and home economists) are closely linked by their common interest in meeting society's need to be fed adequately and by the delivery of information on the appropriate selection and handling of foods.

However, the agrifoods system in this province is dominated by decision-makers far removed from the primary production of foods, and who are often out of touch with the needs and demands of consumers in any one localised area. This vertically integrated transnational system can bridge the distances between producer and consumer, but it can also take away food producers' independence by creating demands for new, processed products aimed more at expanding market shares than serving consumers' nutritional requirements.

In other parts of the world, national agricultural policies for developing cash crops have driven farmers from their lands in order to establish monocultural commodity production systems. These systems have proven to be as susceptible to economic disasters as to natural ones and when they collapse, an unhealthy dependence on high-priced food imports, which most of the population cannot afford, is created. There are about one billion people around the world affected by hunger and malnutrition, many of whom became victims of misguided monocultural food-development policies.

In this province, the once-strong agricultural production base providing fresh food supplies to much of the population has deteriorated since 1949. The population's ability to produce its own subsistence foods now appears to be over stated and Newfoundland and Labrador has become dependent on imported foods as its indigenous agrifoods processing and marketing industries have been severely arrested. It has been argued that if agricultural self-reliance had been promoted as a high-priority government policy after Confederation, our local agrifoods sector would be significantly more advanced than it is today; it would probably be providing employment for a larger segment of the work force and creating greater stability for many rural communities.

The provincial government has expressed a firm commitment to encourage local self-reliance in the economic development of the province and its constituent regions. Self-reliance is guided by an underlying philosophy aimed at helping individuals and their families live full and productive lives. Implicit in this philosophy is the goal to develop regional food security to ensure access by all people at all times to sufficient food for active, healthy lives. Any commitment by government to promote food security by encouraging greater provincial and regional self-reliance will have significant implications for the agrifoods sector as local farmers and processors have to play a major role in producing, marketing and promoting the fresh, wholesome and nutritious foods required by consumers.

The Newfoundland farmer is on the front lines in the battle to ensure that families are fed healthful, nutritious foods. As discussed in Chapter 7, Newfoundland and Labrador probably has the cleanest environment in North America in which to produce food. As efficient as the North American food and distribution system is, there are still perishable products that lose quality during long distance transportation. In many cases, Newfoundland farmers can grow the same produce, and distribute it to retail stores or directly to the consumer much faster and with less handling than food importers can. Therefore, local farmers should always be able to offer products to consumers that are of higher quality, fresher and more nutritious than imported equivalents.

The freshness and quality of locally grown produce cannot be surpassed: slower growing conditions under a cooler climate in this province result in produce of superior quality so that the

eating quality of local fruits (strawberries, bakeapples, partridgeberries, cranberries, blueberries, marshberries and raspberries) and vegetables is unrivalled anywhere in the country. Newfoundland meat producers are also providing top quality products from unique specific-pathogen-free hog herds, natural-fed beef and lambs, and the highly professional poultry and egg industries. Other nutritious meats abundantly available come from local wild game, such as moose, caribou, rabbits and waterfowl. With proper management, Newfoundland and Labrador can sustain healthy wildlife populations and, at the same time, harvest a portion of these highly nutritious foods to complement our agrifoods industries. It is imperative that government policy assist the Newfoundland and Labrador farm community in capitalizing on the consumer trend towards purchasing larger proportions of fresh and nutritious produce and meats.

It is interesting to note that some Newfoundland and Labrador farmers are already capitalizing on the increasing consumer demand for organically grown foods. Although these foods are marketed on a small scale and in limited quantities, Newfoundland and Labrador producers have a golden opportunity to expand this type of production to help fulfil the health and nutrition needs of the population as well as possibly develop export opportunities.

The concepts of self-reliance and sustainable agriculture are very much intertwined. Regional self-reliance in food production is one of the imperatives of sustainable agriculture in a conservation-minded society working to develop its economic resources, protect its environment and improve the nutritional health of its population. Forging the links between the agrifoods industries and food health and nutrition serves to promote regional and individual self-reliance, allows local producers to diversify and expand the range of foods they produce to meet the demands of consumers and also contributes to the overall health of the population by promoting better dietary habits.

A Proposed Food and Nutrition Policy

Given the importance of adequate nutritious foods as a major health determinant, it is imperative that government adopt a policy that makes nutrition a primary consideration in any agrifoods initiative. For example, marketing programs should stress the nutritional benefits of local foods and such characteristics as freshness and wholesomeness must be highlighted through promotion and information programs to increase consumers awareness of foods, consistent with established guidelines for healthy eating. Stressing and developing the links between the agrifoods sector and food health and nutrition in such a policy form would

- improve dietary habits and the overall health of the population, thereby reducing health care costs and possibly improving learning abilities;
- allow for the expansion of local agriculture and related food industries through greater promotion and increased consumer awareness of the fresh food items produced in the province;
- ensure greater provincial food security and the development of a more integrated local food distribution system serving consumers' needs;

- encourage individual, community and regional self-reliance through the production of local foods in a sustainable manner and through the promotion of healthy lifestyles; and
- provide a further rationale for adopting a comprehensive policy and strategy for the agrifoods sector.

The Task Force notes that the Department of National Health and Welfare released a report entitled *Action Towards Healthy Eating: Canada's Guidelines for Healthy Eating and Recommended Strategies for Implementation* early in 1990. This report came as the result of the Minister of National Health and Welfare's appointing two committees (a Scientific Review Committee and a Communications and Implementation Committee) to provide up-to-date nutrition recommendations for professionals and the public which would promote and maintain health while reducing the risk of nutrition-related diseases. Over a two-year period, these two committees, comprising representatives from 12 government, professional and voluntary organizations, worked co-operatively to produce food health and nutrition recommendations which would be acceptable to all. The report recommended that the Department of National Health and Welfare advocate and co-ordinate the efforts in federal, provincial, territorial and municipal governments to develop food and nutrition policies linking nutrition and health with agriculture, education, fisheries, social services, environment and other relevant sectors.

The provincial government should develop and adopt a provincial policy on food and nutrition. This policy should be complementary to the policy and strategy for agrifoods and to any other food and nutrition policies adopted either nationally or in other jurisdictions. It is appropriate that the policy be developed by a provincial interdepartmental co-ordinating group comprising representatives of the Departments of Forestry and Agriculture, Health, Fisheries, Education, Social Services, Environment, and Justice, the Intergovernmental Affairs Secretariat and other relevant departments. As well an inter-agency advisory committee should be established to guide the co-ordinating group in the preparation and subsequent implementation of the policy. Membership on the advisory committee should be drawn from all groups interested in health and nutrition, including departments and agencies of the federal government, Memorial University, nutrition and health organizations, all industries associated with agrifoods and the fisheries, and non-governmental organizations involved with education, community development and hunger and poverty.

Government actions aimed at directing people's lifestyles or behaviour are often initiated through "negative intervention" programs: policies aimed at reducing smoking, regulations on alcohol consumption or legislation prohibiting drug abuse, etc. However, the development of a food and nutrition policy and the implementation subsequently of programs fulfilling policy objectives represent a "positive intervention" into the lives of the province's population. That is, the policy will allow people to do more and better things, rather than restrict behaviours and lifestyles. This may be important as positive intervention programs show the public that governments' actions are not always intrusive or restrictive; therefore, they are usually well received by the population as a whole.

The Task Force therefore recommends that

110. the Department of Health and the Agriculture Branch provide the leadership for co-ordinating the development of a provincial policy on food and nutrition; and
111. the Department of Health, other departments and non-government organizations continue to participate in various intergovernmental efforts, particularly through the Federal-Provincial-Territorial Group on Nutrition and the Federal-Provincial Advisory Committee on Community Health, to assist in the development and promotion of nutrition and food health programs nationally, highlighting in particular the initiatives taken in this province to link agriculture and foods with nutrition in the development of agriculture programs.

The policy on food and nutrition should accommodate some or all of the following elements:

- Monitoring food consumption patterns
- Development of provincial dietary guidelines
- Nutrition awareness and education
- Health and nutrition inequities
- Literacy
- Food supply
- Trade
- Food health and nutrition infrastructure
- Nutrition intervention programs.

It is not the Task Force's role to develop the policy on food and nutrition, but rather to suggest how the policy might be prepared and the kinds of issues that it might contain which would be of interest and relevance to the agrifoods sector. Therefore, the rationale for each of the components included in the proposed policy is summarized below.

Monitoring Food Consumption Patterns There has been no national study of food intake or nutritional status since the *Nutrition Canada Survey* of 1970-1972. The only relevant studies at the national level which provide some nutritional data are Statistics Canada's annual *Apparent per capita Food Consumption Survey* and the *Family Food Expenditure Survey* collected every two to four years. These two data sources provide gross estimates of food consumption, but neither reflect actual consumption of food by individuals.

Food and nutritional information for Newfoundland and Labrador is even more limited. In the last decade or so, only a handful of studies and surveys have provided any relevant information at all: the monthly regional food pricing surveys undertaken by the Consumer Affairs division in the 1980s (but which were terminated after only a few years), occasional studies on specific topics, such as the 1989 report on food costs for social assistance recipients called *A Time for Change: Adequate Food for the Poor in Newfoundland and Labrador*, and provincial studies

which constitute a part of broader national studies (the Newfoundland section of the 1984-1985 *Canada Health Attitudes and Behaviours Survey*, for example). There is no procedure in place to monitor regularly the consumption of food at either the provincial or regional levels.

It is imperative in the formulation of a provincial policy covering food and nutrition that a procedure be established to collect information about food consumption, the availability of food commodities, and pricing, so that programs and projects initiated under the policy's guidelines could be targeted to appropriate socio-economic groups and regions of the province and could address certain problems encountered with nutrition and food. This monitoring process, in the form of a regular survey administered across the province, should place specific emphasis on food intake and nutritional status at the provincial, regional, and individual household levels. In this regard, the interdepartmental co-ordinating group charged with the overall responsibility for devising and implementing a food and nutrition policy should oversee the survey and thereafter determine modifications in survey content, methodology and coverage so that a food and nutrition survey might be administered regularly to provide relevant data to guide governments' nutrition and agrifoods programs. The survey data should be compatible with national baseline data on nutrition and food consumption.

The Task Force therefore recommends that

112. the Department of Health, in conjunction with the Agriculture Branch, the Newfoundland Statistics Agency, the Department of Justice and Statistics Canada, devise and implement as soon as possible a province-wide nutrition, food consumption and pricing survey as input into the formulation of a provincial policy on food and nutrition.

Development of Provincial Dietary Guidelines For more than 50 years, *Canada's Food Guide* has been the cornerstone of nutritional education. It was developed initially (called *Canada's Food Rules*) to translate nutrient requirements into foods and to provide a simple guide for consumers in selecting foods that are likely to ensure nutritional adequacy: that is, to prevent diseases caused by nutrition deficiencies. However, the shift of emphasis from deficiency diseases to nutrition-related health has prompted the need to re-evaluate nutrition education tools and programs. The *Action towards Healthy Eating* report presented recommendations for updating the *Canada Food Guide*. It stated that the guide should be revised immediately based on the "total diet approach" and it should become the major tool for communicating and translating into action established nutritional requirements.

Nutritional requirements may vary across Canada because of factors such as differences in lifestyle and availability of food types. Therefore, while *Canada's Guidelines for Healthy Eating* can be used to form the basis of provincial dietary guidelines, in preparing a policy on food and nutrition for Newfoundland and Labrador, the appropriateness of the national guidelines for this province should first be evaluated.

The national guidelines are quite detailed in nutritional requirements, but they can be summarized in the following directives:

- Enjoy a variety of foods
- Emphasize cereals, breads, other grain products, vegetables and fruits
- Choose low-fat dairy products, lean meats and foods prepared with little or no fat
- Increase the consumption of foods high in fibre
- Achieve and maintain a healthy body weight by enjoying regular physical activity and healthy eating
- Limit salt, alcohol and caffeine intake.

The results of the study on school children's nutrition attitudes and behaviour outlined earlier, the knowledge of the range and causes of diet-related medical problems existing in this province and the nutritional guidelines established in *Canada's Guidelines for Healthy Eating*, all suggest that provincial nutritional requirements should be used to promote the reduction in consumption of foods containing salt, fats and sugars. Moreover, the adoption of provincial nutritional requirements should be viewed as one of the most important components of the policy on food and nutrition focusing on reducing obesity, promoting balanced diets and modifying lifestyles through food purchasing behaviour and physical activity.

The Task Force therefore recommends that

113. provincial guidelines for healthy eating be established as part of the provincial food and nutrition policy based on the national guidelines.

Nutrition Awareness and Education The average Canadian consumer appears receptive to nutrition and health messages, but considerably resistant to changing existing dietary habits. It appears that people most receptive to change are those with high levels of nutritional knowledge. However, even for the most knowledgeable, the message must be comprehensible, concrete and simple. Therefore, the provincial food and nutrition policy should aim at capitalizing on current consumer interest in nutrition and dietary behaviour through promotional programs aimed at raising public consciousness about nutrition in general and about specific aspects of dietary behaviour.

A strong agrifoods sector depends on a strong consumer market. This is an area that deserves special attention within the agricultural industries themselves. In particular, promoting local food products should be a high priority of farmers and their associations, with the support of government. However, this cannot be achieved through advertising alone. Education is necessary to promote respect for food and recognition of the importance of good dietary habits. Along with these issues, education should focus on increasing consumers' skills in food preparation and their knowledge about maintaining nutritional value during storage and food preparation. All of these practices should foster some degree of pride in meeting one's own food needs.

Nutrition education and awareness programs should be targeted to the appropriate segments of the population and, in particular, through the formal education system. *Canada's Guidelines for Healthy Eating* should be incorporated into programs, policies, legislation, media campaigns

and, of course, the province's agrifoods policy, taking into account the needs of the population. It should be recognized that there could be many target groups whose awareness of nutrition and dietary behaviour might conflict with the nutritional guidelines. Therefore, special efforts might be required to communicate and implement the guidelines in appropriate ways so that these conflicts might be overcome.

Just as important are promotional activities aimed at food producers and processors or at linking producers' goods with consumers' needs: it is imperative that those who produce foods purchased in this province be fully aware of the nutritional value of the products they market. Producers and processors market their goods based on a combination of responding to consumers' needs and promoting new foods in the market place hoping that consumer demand can be created. Increased nutritional awareness by the public may put pressure on producers and processors to offer certain kinds of foods; alternatively, producers and processors can help promote better nutrition by marketing certain kinds of nutritious foods in the marketplace to create a level of consumer demand. There is no reason why farmers cannot actively promote the kinds of food products which the provincial policy suggests should be key elements in the diets of Newfoundlanders and Labradorians, particularly if increased nutritional awareness is likely to create a market for those foods. Similarly, food processors may be amenable to developing and marketing food products which are compatible with the food and nutrition policy. Again, this may be in their long-term interests if consumers respond well to nutritional messages.

The agriculture industries in the province cannot expect to base their success on the production of quality foods at the farm level alone. Greater attention must be paid to maintaining the quality of products during the storage, distribution and retail phases before products reach consumers. Visits to restaurants and small stores, particularly in rural areas, offer ample evidence that food handlers need training regarding practices which will maintain the quality and safety of foods. In this regard, the hazards of mishandling, in terms of both the deterioration of quality and the potential health risks to consumers, should be stressed. Public knowledge and awareness have to be encouraged through the creation of home economics extension education to urban and rural households.

It was unfortunate that when the Agriculture Branch was part of the Department of Rural, Agricultural and Northern Development, the department's sole home economist position was terminated. There is a need for home economics specialists to be employed by the Agriculture Branch and to work through the Branch's existing extension service. The main objectives for a home economics extension program within the Agriculture Branch would be

- to promote and increase industry and public awareness of locally produced foods;
- to become the primary vehicle for implementing the policy on food and nutrition to the agricultural sector; and
- to become the primary vehicle for promoting sound environmental and food practices at the household level, avoidance of waste, selective shopping practices, composting, recycling, energy conscious and nutritious food preparation methods, etc.

At the community, household and individual levels, the economic value and extent of rural subsistence farming appears to have waned in recent decades, but the popularity of home gardening in cities and towns throughout the province has increased. Subsistence farming still plays a role in parts of rural Newfoundland and Labrador in supplementing incomes and food supplies, but the improved food distribution system, together with a greater reliance on the cash economy by rural dwellers has left many subsistence vegetable plots unworked for years and root cellars empty. On the other hand, household gardens in urban centres, while small and limited in the amounts of produce grown, often reflect adventurous attempts by home gardeners to grow a wide range of fruit and vegetables. It is not uncommon to see fruits and vegetables not normally known to be suited to this climate growing in people's backyards.

With support for subsistence farming and home gardening through extension education and the promotion of greater self-reliance, the public's food and environmental awareness can be significantly increased in this province. The development of community gardens and subsistence plots in rural areas, "victory gardens" or allotments, demonstration gardens and household gardens in cities and towns, together with the promotion of sustainable agricultural practices, such as composting, would contribute to greater public respect for food and the environment and would foster pride and self-reliance. The promotion of the necessary skills would be especially desirable and beneficial for young people. Youth groups, such as the Guides, Scouts and especially 4-H, should be targeted for agriculture and food awareness programs through home gardening and related environmental projects. The 4-H Club Program should become the responsibility of the Agriculture Branch and steps should be taken to expand and broaden the 4-H Club movement, especially in rural Newfoundland and Labrador, with a definite emphasis on agriculture and agrifoods.

The Agriculture Branch and Agriculture Canada should recognize the importance of these factors in promoting the public's awareness of food and nutrition, but the extensive work needed to promote these activities should be provided by other agencies (community-based organizations) and other departments (Health and Education) in co-operation with municipal governments. While the Agriculture Branch and Agriculture Canada might be called on to provide some technical assistance in the development of home gardening programs, it is not recommended that these departments' extension or specialist staff be directed to service small-scale subsistence farmers or home gardeners.

The Task Force therefore recommends that

114. the Agriculture Branch work closely with the Department of Health, the Federation of Agriculture, commodity organizations, such as the marketing boards, and the food processing and distribution industries, to promote the nutritional value of agrifoods in all production and marketing programs.

Health and Nutrition Inequities Food security, hunger and poverty are issues of critical concern, especially for single parent families. In Canada, nearly half of these families have incomes below the established poverty line and low-income Canadians are at greater risk from nutrition and other health problems than are middle and high-income families. They spend less per capita on food,

but more as a percentage of disposable income than do other groups. However, lower income families generally purchase foods that reflect a more nutrient-dense diet than do higher income families.

The situation in Newfoundland and Labrador does not differ very much from the national picture, except that poverty and hunger are becoming more pronounced. This would appear to run contrary to the perception that Newfoundlanders' strong sense of community and family takes care of people who do not have shelter, food or other basic necessities. The often-heard adage that "it is a crime to be hungry in Newfoundland and Labrador" is pure falsehood, but it has the effect of transferring the responsibility for feeding the hungry from governments to volunteer agencies.⁴⁸ The growing number of food banks, particularly in St. John's, and the current food shortage crisis they are in, are yet other indicators that hunger exists in the midst of plenty. For these reasons, as the Task Force has noted, the proposed food survey must focus on regional differences in food prices. This aspect of the survey will provide data to the Department of Social Services concerning the ability of low-income families, particularly social assistance recipients, to buy nutritious foods.

The 1989 report on food costs for social assistance recipients in Newfoundland and Labrador claimed that providing food security is an important factor in reducing the cycle of poverty: many social assistance recipients are members of families who for generations have depended upon such assistance, the total cost of which can be expected in the future to be even more staggering. The report noted the following:

- one child in four is growing up hungry;
- this province has the highest proportion of poor children living in low-income families in Canada;
- many low-income parents keep their children at home because they do not have food for school lunches;
- inadequate nutrition leads to learning problems. Even short-term food shortages, such as a missed breakfast, can affect a child's concentration and retention capacity; and
- inadequate nutrition indirectly raises educational costs because of the need for remedial work and repetition of grades.

The study showed that in 1988, the cost of a nutritious basket of food for a family of four varied considerably across the province from \$384 in Stephenville to \$447 in St. John's and \$556 in Labrador City. This means that social assistance recipients would have to spend an average of 82% of their income on food to ensure adequate nutrition. The study proposed several recommendations to alleviate these problems, many of them directly aimed at providing low-income families with a better chance of increasing their nutritional intake.

⁴⁸ A recent study by the Canadian Association of Food Banks (*Hunger in Canada*, 1991) showed that 1 in 11 people in Atlantic Canada will use a food bank during the year, and that Newfoundland and Labrador leads the country in per capita use. St. John's is among the top three major urban centres in food bank use.

The policy on food and nutrition has to address the problems of inequities in food consumption in this province and point the way to solutions. Of course, for many Newfoundlanders and Labradorians, such solutions are dependent on resolving the much wider problem of poverty. However, other jurisdictions are examining special programs aimed at certain groups with special needs, such as nutrition education for pregnant women, the elderly and school-aged children. The experimental School Lunch Program at Bishop Feild School in St. John's, which is now being expanded to other downtown schools, has been particularly successful. This success indicates that government should look closely at this kind of program for alleviating early childhood nutritional problems elsewhere in the province, perhaps in consultation with school boards and individual schools so that school lunch programs might be expanded in areas where need is identified.

The Task Force therefore recommends that

115. the Department of Social Services work with the Departments of Health, Forestry and Agriculture, and Education to develop nutrition education programs, particularly for those receiving social assistance, and to expand nutrition programs for groups with special needs.

Literacy As many as 24% of the Canadian population over 18 might be functionally illiterate; that is, they are unable to use printed and written information to function in society. The *Southam Literacy Report* (1987) claimed that this figure is more like 44% in Newfoundland and Labrador. The provincial government's declaration of 1990 as Literacy Year and the plethora of literacy-related programs sponsored provincially suggest strongly that government views literacy as a high-priority social issue.

The illiterate population presents a special challenge for effective communication of nutrition information. In all probability, nutrition information appearing on food labels, in pamphlets and booklets and even in *Canada's Food Guide* itself may not be read or understood by this segment of the population. Specially targeted programs and materials will be required to communicate nutritional information to individuals and groups with limited literacy skills.

The provincial government's attack on illiteracy in 1990 can also act as a model for promoting nutritional issues in general. Those charged with preparing the provincial food and nutrition policy may wish to consider recommending that 1993 be designated as Provincial Nutrition Year. Special programs and promotions can be planned for implementation during the course of the year to raise overall consciousness of food health and nutrition issues in much the same way as literacy programs were promoted in 1990. Just as the Minister of Education was featured in a lengthy television documentary on literacy sponsored by the provincial government, so too can the Minister of Health and the Minister of Forestry and Agriculture jointly do likewise in a special program focusing on nutrition and food.

Organizations representing nutrition and health care professionals (the local Chapter of the Canadian Institute of Food Science and Technology, the Dietetics Association, Public Health Association, Home Economics Council), groups representing disadvantaged people (Group

Against Poverty, Oxfam, World Food Day) and the agrifoods sector (the Federation of Agriculture, marketing boards, various commodity groups, processing industry associations and the major food distributors) can all be involved in a comprehensive, co-operative effort to promote food health and nutrition.

The Task Force therefore recommends that

116. government consider declaring 1993 as Provincial Nutrition Year and establish promotional programs and projects during the year aimed at highlighting the full range of food and nutrition issues.

Food Supply Canada is fortunate to have a safe and nutritionally adequate food supply that most people can afford. Newfoundland and Labrador is blessed with an adequate supply of food commodities, particularly with its natural food resources of fish, wild animals and agricultural products. However, challenges exist in providing the populace with more food choices that help establish a healthful diet according to the *Canada's Guidelines for Healthy Eating*. The suggested reductions in the quantities of total and saturated fats consumed in this province require efforts by the food production and food service industries as well as by their customers. In addition, food product development will play an important role in implementing dietary guidelines.

So that healthy eating guidelines can be implemented successfully, the Agriculture Branch and the local food industry will need to make nutrition a major consideration in developing and producing new food products. Efforts can also be directed at those food companies which market imported food products in the province to ensure their co-operation with the provincial strategy. However, for these companies, food marketing decisions may be governed by national sales and food distribution objectives, so success in this area may depend on inter-jurisdictional co-operation.

In the formulation of a policy on food and nutrition, associated with the province's food supply, it is necessary to

- ensure that nutrition be a primary determinant in food product development by the agriculture and food distribution industries;
- encourage the food service and institutional food industries to produce and promote food products and menu plans consistent with the healthy eating guidelines;
- make low-fat, standardized dairy and meat products more available;
- provide consumer food choices that are low in fats, salt and sugar and high in fibre in restaurants, cafeterias, institutions and vending machines;
- monitor changes in food product packaging and any resulting impact on processing methods, presentation or the nutritional quality of foods which may occur as a result of the food industries responding to demands that certain forms of packaging, or excessive packaging, be eliminated; and

- monitor the use of pesticides, herbicides and other chemicals in crop farming and also the use of hormones, growth promoters, antibiotics and similar substances used in animal husbandry.

The Task Force therefore recommends that

117. the Agriculture Branch actively promote local agrifood products based on their nutritional benefits and advocate to all the agrifood industries in the province that nutrition should be a principal factor in the production, processing and marketing of local food items.

Trade The Canada-United States Trade Agreement may influence the accessibility of foods and the direction of public policy, thereby affecting the implementation of *Canada's Guidelines for Healthy Eating* at the national and provincial levels. One of the major issues will be the harmonization of policies of the two countries in such areas as standards and regulatory requirements (food labelling, food fortification and enrichment, nutrition claims and dietary guidance systems). If harmonization occurs, it is likely to affect nutritional messages, methods of delivery and implementation strategies. The federal government has established an inter-departmental committee comprising deputy ministers of several departments, including Agriculture Canada, to co-ordinate harmonization activities in the food area.

In addition, the trade agreement is expected to result in a wider range of food brands and products being available to Canadian consumers, many of these originating in the United States. Therefore, it may be more difficult for local food producers to retain or increase existing market share or for local, nutritionally sound foods to be promoted in the market place. It is important that the proposed provincial policy on food and nutrition take into account any impact on nutrition promotion arising from the Canada-United States Trade Agreement, other negotiated trading arrangements and the changing international trade environment generally.

The Task Force therefore recommends that

118. the Agriculture Branch work closely with federal and provincial departments responsible for trade issues to monitor developments from the Canada-United States Trade Agreement related to such matters affecting food and nutrition policies as the harmonization of standards and regulatory requirements.

Food Health and Nutrition Infrastructure There are many existing programs, organizations and networks currently in place which can be used as resources for the development of a provincial food and nutrition policy and which, ultimately, will be the front line in the implementation of related programs. The Task Force heard from several of these groups during the public hearings and at more private meetings over the course of the last year. These groups were unanimous in their message: there is not enough attention paid to nutrition and dietary issues in this province. The Agriculture Branch, in co-operation with the Department of Health, should work with the food processing industry to encourage the development and promotion of products which are low

in total fat, saturated fat, cholesterol, sodium, and high in micronutrients, complex carbohydrates and fibre.

A food and nutrition policy cannot be developed and implemented if the professional staff, both in government and in non-government organizations, are not in place to perform the front-line work necessary to make the policy's programs and strategies effective. Although this is a time of government restraint, and non-government organizations involved in nutrition and dietary activities, particularly voluntary agencies, are stretched to the limit of their capabilities, the existing infrastructure for implementing and promoting community and public health nutrition programs must be evaluated carefully in the development of the policy on food and nutrition. The Task Force suggests that the following groups be at the centre of this evaluation.

- The Federal-Provincial-Territorial Group on Nutrition, which acts as a network for sharing information about nutrition issues, programs and priorities. It also advises on, as well as helps to co-ordinate, intergovernmental policies, programs and projects related to health, food production and nutrition.
- Public health nutritionists, who identify populations at risk for nutrition-related problems, prioritize community nutrition needs and who plan, co-ordinate, implement and evaluate population-based intervention programs. These specialized nutritional professionals are the key leaders in local communities for facilitating and co-ordinating nutrition promotional efforts in the community.
- Food scientists, who are employed by governments, educational institutions, the food industry and agricultural organizations. They are responsible for food preservation, processing, safety and new product development.
- Dietitians, who are employed as nutrition professionals in governments, health care and educational institutions, community health agencies, food and pharmaceutical industries and agricultural organizations. They are responsible for developing food and nutrition policies, planning, developing and delivering nutrition programs and influencing consumers' knowledge of diets and food choices.
- Home economists, who are concerned with all aspects of daily living, including food and nutrition. Primary food production and the delivery of consumer information as it relates to appropriate food selection and the handling of food form a natural partnership. Like farmers, home economists believe their profession has been undervalued and misunderstood.
- Health care professionals, such as general practitioners, nurses, paediatricians and dentists, who are a major channel for communicating with the public and are viewed as reliable sources of up-to-date health and nutrition information. Integration of nutrition into the curricula of formal education programs for these health professionals is critical.
- Non-governmental organizations and health groups, which are active partners in the development and delivery of nutrition programs. They will continue to be a key link

in any inter-sectoral implementation in Newfoundland and Labrador of the healthy eating guidelines and the food and nutrition policy.

- Agriculture and food organizations (such as marketing boards, food processing companies and food distribution and service industries), which often have consumer and nutritional professionals on their executive or in their employ. These direct links between agrifoods and nutrition already exist in some food industries and can be strengthened and given a higher visibility.

Community nutrition programs can foster public participation by moving beyond providing people with nutrition information and recommending specific behaviour. They should encourage local people to participate in the interpretation and analysis of their own food and nutrition issues and concerns. Ultimately, it is the public of Newfoundland and Labrador that will make decisions about food choices affecting nutrition and health. Government may contribute to consumers' ability to make informed choices by encouraging local agrifoods industries to use voluntary nutrition labelling on as many products as possible and the retail industries to provide nutrition information about local food products on signs, posters and in-store promotions.

One of the principal recommendations of the report, *Action towards Healthy Eating*, is particularly appropriate in the preparation of a provincial policy on food and nutrition. The report recommended that the provincial, territorial and municipal governments review staffing levels in community health services to achieve a minimum ratio of one public health nutritionist per 50,000 population.

The Task Force therefore recommends that

119. the Agriculture Branch acquire expertise to handle food and nutrition issues and work in partnership with other government agencies, agricultural organizations and the agrifoods industries to initiate, conduct or sponsor nutrition promotional campaigns.

Nutrition Intervention Programs One of the major tasks of those charged with developing a provincial food and nutrition policy will be to identify nutrition intervention programs that can be effectively implemented in this province. Because of limited funding, personnel and resources, program options will have to be carefully evaluated, based on the experience of jurisdictions and on past experience with some programs initiated in Newfoundland and Labrador.

It is evident that influencing the nutritional behaviour, diets and lifestyles of the province's youth is one of the keys to improving the overall nutritional health of the province's population. Therefore, the proposed policy must be directed particularly at the school system. There are two principal opportunities for nutritional intervention programs in the schools: in the classroom and in the food services offered in schools. The former can be used to educate students and families about nutrition and healthful diets; the latter to reinforce the educational message by providing an environment supportive of healthy dietary behaviour. To be effective, these efforts must be supported by a comprehensive food and nutrition strategy adopted by all school boards in the province and implemented in all schools; nutrition education must start in the classroom at the

elementary school level and continue through to high school. Therefore, teachers' training programs should incorporate nutrition issues into formal curricula.

In other provinces, agrifoods organizations have been relatively successful in holding nutrition workshops and seminars for educators. The Ontario Milk Marketing Board, for example, has sponsored nutrition workshops for a large percentage of the province's high school teachers. There is no reason why the policy on food and nutrition cannot encourage the province's marketing boards and other agricultural organizations to become more involved in educational activities promoting nutrition and food health. Moreover, the Task Force suggests that the Agriculture Branch participate in such activities; this will afford the opportunity to ensure the promotion of local agrifoods products.

Worksites provide a means of reaching a very large proportion of the adult population of Newfoundland and Labrador, both men and women. Health promotion programs in the workplace have been shown to have a positive impact on the health, productivity and morale of workers, as well as to reduce the recourse to, and costs of, health care. The proposed food and nutrition policy may wish to consider implementing worksite nutrition-education programs, similar to those which can be offered in a school setting, targeted to food service operations (canteens, cafeterias, restaurants and vending machines). This will require obtaining the co-operation of food service companies, which run key institutional and workplace food service operations in this province. In addition to providing worksite intervention programs, it is vital that food workers receive training in nutrition. Farmers, food processors and institutional and commercial food service workers are important targets for this type of program.

A significant opportunity for nutrition intervention exists at the point of purchase. There are few such programs anywhere in Canada, although some retailers and restaurants in this province have started to provide some basic nutritional information for consumers. Consumers make most of their food decisions at the point of purchase, for example, in the grocery store. The availability of nutrition information at the moment of decision-making, therefore, would appear to have a powerful influence. This could be achieved through nutrition labelling, shelf labelling, in-store promotions and the distribution of pamphlets and brochures in retail stores and in restaurants and, in other food service locations, through menu labelling, table tents and placemat messages. The co-operation of producers, food processors and suppliers could greatly increase the effectiveness of these kinds of programs.

The mass media provide opportunities to reach a wide audience at a low cost. Television promotions, combined with social support and other programs, are as effective as face-to-face programs for changing health behaviour. The media are powerful tools for marketing health and nutrition messages and are being used increasingly by governments and agencies concerned about nutrition. However, while media campaigns have been successful at increasing nutrition knowledge, they are effective principally at the awareness stage of behaviour. Also, there are concerns that consumers obtain much of their misinformation about nutrition from media sources. Despite this, use of the media must be considered as an integral part of any nutritional awareness strategy.

International interest in wide-ranging community-based intervention programs to prevent chronic diseases has increased in recent years. To prevent chronic heart disease, Europe and the United States, for example, have implemented a series of community intervention programs which are rapidly becoming the models for community level health and nutrition intervention in Canada. Given the complex nature of nutrition and food-related issues – production, marketing, purchasing, preparation and consumption – a comprehensive approach appears to be necessary in Newfoundland and Labrador. Community-based health and nutrition programs following the disease prevention intervention program model can be used to fulfil a dual role: to prevent food-related diseases and to promote food health.

The continued absence in Newfoundland and Labrador of a school milk program bears witness to the fact that the lack of a policy framework covering nutritional issues has inhibited the introduction of important nutrition programs. In all other provinces, either government or dairy farmers, or both, have long ago recognized that a school milk program, in conjunction with thorough nutrition education, is the most basic vehicle for ensuring and expanding local markets for the industry. A school milk program is also an essential element of a healthy school environment where students are encouraged to practise what they learn in class. The value of such a program should be fully recognized and promoted in the development of a policy on food and nutrition. Chapter 6 of this report (on the dairy industry) contains a specific recommendation on this matter.

The Task Force therefore recommends that

120. nutrition be integrated into curricula at all levels of the formal education system, including teachers' training programs, and that all schools provide a supportive environment by offering nutritious foods in their food service facilities.

In summary, to bring about sustained behavioural change consistent with *Canada's Guidelines for Healthy Eating*, efforts will be required in each of the elements of the proposed policy on food and nutrition described in this section. In particular, the strong inter-relationship between self-reliance, sustainable agriculture and nutritional well-being should be promoted and maximized. The Task Force recognizes the importance of co-ordinated and collaborative planning to mobilize the agrifoods industry, health care and nutrition professionals and the public. Within government, there is a need to strengthen communication and co-ordination on issues of nutrition and food among the Departments of Health, Forestry and Agriculture, Fisheries, Education, Social Services and Justice. The co-operation of the many partners interested in food and nutrition, and a commitment by governments and other agencies to provide the necessary funding must be secured if the policy and subsequent strategy for action is to be effective.

Chapter 9

A Framework for Marketing

Encouraging better, on-farm management, sound financial planning and improved production methods will increase farmers' chances of creating viable commercial enterprises. However, they will never be viable unless two conditions are met: being able to produce commodities and being able to sell them. These two conditions, of course, are linked to one another in that farmers should only produce commodities they can sell and, therefore, the production process should be governed by the needs of the marketplace. This requires a sound knowledge of the principles of marketing and an adherence to the marketing concept of business operations. Marketing can be defined as the system of activities designed to plan, price, promote and distribute goods and services in response to purchasers' needs. The marketing concept, therefore, is a philosophy of business based on customers' orientation, profitable sales volume and organizational co-ordination.

Linking Production and Marketing

The agriculture sector in Newfoundland and Labrador is characterized by many independently owned, geographically dispersed operations of varying sizes and functions. With the possible exception of commodities which are regulated by marketing boards, the lack of co-ordination, organization and co-operation among producers is a major drawback to the development of the sector. Production has often been approached without reference to the direct link with marketing, and commodities are invariably produced on farms before markets have been identified. This is especially true of the vegetable industry where several hundred individual enterprises grow a variety of crops, often without reference to one another or to the needs of the marketplace. Thus, many farmers are forced to market their goods from trucks parked on the side of the highway; local vegetables found in retail stores can be poorly presented in terms of washing, sizing, grading and packaging and they are often not displayed in the main produce counter.

The individualism of farmers has been illustrated over the last decade in attempts to establish a marketing board for vegetables. Indeed, a board was in place for a short time, but it fell apart mainly because of a lack of interest by its members. Wholesalers and retailers are quite definite in their views of the local industry: supplies from individual farmers are limited in quantity and duration, little attention is paid to presentation and prices asked are often not

competitive. However, the food trades admit that locally grown vegetables can be of high quality and consumers would buy local produce if it was available regularly. The wholesale and retail trades claim they try to accommodate local farmers, but the impression often given is that they buy local produce in season only to be good corporate citizens. They complain about the un-businesslike practices of local vegetable farmers and the difficulties encountered in dealing with numerous individual producers each wanting to sell limited supplies of vegetables of varying quality and prices.

The Task Force cannot see how local agricultural industries, particularly the vegetable industry, can continue to grow and develop under these conditions. There is a limit to the amount of produce that can be sold through direct highway sales to consumers or informal arrangements to local corner stores. The food distribution trades will remain in business whether or not local products are available because there is an ample supply of produce from numerous sources across North America to fulfil Newfoundland and Labrador consumers' demands. This imported produce can also be shipped to the remotest parts of Newfoundland and Labrador given improved transportation, food packaging methods and storage facilities.

The above statements are not directed at all agricultural industries, nor even to all vegetable farmers. The majority of full-time, commercial entrepreneurs particularly those producing commodities that are regulated by marketing boards, are generally cognizant of the needs of the marketplace in relation to their own production. Several commercial vegetable producers have established good relations with the food distribution trades and they gear production to the requirements of purchasers. Yet, there is a need to focus much more attention on organized commodity marketing in virtually all agrifoods industries. Producers cannot afford to work in isolation from wholesalers, retailers or consumers (the ultimate purchasers), nor from one another. A better local marketing system for the province as a whole has to be developed.

The industry should also employ all available methods in marketing their goods, particularly through promotion and advertising. If anyone should doubt the importance of marketing as a tool for promoting products, they need look no further than the television, radio or newspaper. Corporations in Canada spend billions of dollars annually in marketing all kinds of products through the media and this has proven time and time again to be very effective. Companies tell consumers through commercials that they have the products which can satisfy their needs; they also use advertisements to create consumer demand for newly developed products. The competition for market share of food products is fierce and almost all major food companies utilize advertising as a means to acquire or increase their slice of the consumer pie.

Promotion is normally not used to any great extent by the nation's agricultural producers or their associations. Advertising is expensive and only the larger corporations can afford to run television and radio commercials regularly. However, the exceptions to this rule have proven to be extremely effective. The Task Force was told that sales of butter in Canada have increased by more than 10% as the direct result of the Dairy Bureau of Canada's television campaign showing an animated slice of bread dancing with a butter knife. Similarly, the Dairy Farmers of Canada's anti-GATT television advertisement, which portrays how the nation's dairy farms will slowly disappear if GATT talks lead to the elimination of supply management, is an effective way to

promote a message rather than a specific commodity. The two Newfoundland-based dairies, the Newfoundland Farm Products Corporation and several of the province's larger food manufacturers use media advertising regularly. The industry should aim, through a variety of marketing and promotional strategies, at raising the public's awareness of the local agrifoods sector and the commodities it produces.

Marketing Boards and Supply Management

The Consumers Association of Canada presented the Task Force with some very definite views about the need for the agrifoods industries to recognize the relationship between producers and consumers. It stated that agricultural production and commodity pricing were becoming increasingly dominated by market forces so that producers will not be telling consumers what is available in future; rather, consumers will be telling producers what they want. In its brief the Association then took aim at marketing board operations in general and supply-management systems in particular. It claimed that marketing boards reduce the selection of commodities and increase prices for consumers through managing the availability of supplies (and hence keeping prices high) or by using regulatory powers to control commodity pricing, supposedly to reflect "true" costs of production. In effect, the Association claimed, marketing boards impose a tax on consumers and allow income to be transferred to a few producers regardless of whether or not they are efficient or the commodities they produce are competitive in the market place.

The Association claimed that a 1990 GATT study estimated Canadian consumers pay 20% above world prices for eggs and double the world price for milk because of supply management; similarly, an Economic Council of Canada study showed that the supply management system itself is costly: consumers pay \$56 million a year or \$0.13 per dozen eggs for egg industry regulation, \$77 million a year or \$0.04 a kilogram for regulation of the broiler-chicken industry and almost \$1 billion a year for industrial and fluid milk regulation. Consumer groups assert that supply management programs bear heavily on low-income Canadians since poor families spend a relatively high proportion of total income on food, and supply-managed commodities (eggs, milk and chicken) are hardly luxury items.

Supply management is being accused of all sorts of anti-consumer and anti-business practices. In particular, the high cost of supply-managed commodities is said to arise because marketing boards in this country keep prices artificially high. Under supply management, commodity prices do not drop as demand increases; they can actually rise. The Consumers Association believes this is because marketing boards operate as cartels which can deliberately create product shortages. As a result, prices are elevated unnecessarily, food processors can be driven out of business and consumers' pocket books are hit hard — all with the sanction of duly elected governments. Critics of supply management argue that if this were to happen in non-agricultural sectors, such as the automobile industry, there would be a public outcry and reference to various legal authorities to end the practice.

The Consumers Association of Canada was representing the opinions of the only general consumer interest group operating nationwide. The Association, with over 1,000 members in this province and tens of thousands across Canada, is not alone in its condemnation. The system is

increasingly coming under attack in many arenas, from consumers' groups to international trade talks; the media is picking up the various lines of argument and translating them to the public. Consumers will be increasing their opposition to the retention of Canada's supply management and marketing board systems in future years.

The Task Force has seen no evidence in Newfoundland and Labrador which confirms the above criticisms, either for those commodities which are supply managed (milk, eggs, chicken) or for the hog industry (which is not supply managed, but is regulated by a marketing board). While the Task Force experienced difficulties in acquiring historical data on retail prices for regulated and non-regulated commodities, the limited research undertaken shows that the differences in retail prices between Newfoundland and Labrador and neighbouring provinces for chicken, pork, and milk are not out of line with prices for equivalent non-regulated foods. Furthermore the retail prices for chicken and pork are not regulated; yet Newfoundland-produced chicken and pork is priced competitively against imported meats. The marketing boards have acted responsibly in the regulation of these industries; they have created growth in the broiler and dairy industries and a measure of stability in the egg and hog industries. Without the Milk Marketing Board, for example, this province would probably not have achieved self-sufficiency in fluid milk in just seven years. If the four commodity marketing boards had not been in place through the 1980s, consumer prices for eggs, milk, chicken and pork products may well have been cheaper at certain times, when these products are readily available from outside suppliers to Newfoundland food distributors. On the other hand, there would probably not be significant poultry, dairy and hog industries in this province. Without local industries, commodity prices would probably be higher than they are now because of the existence of a captive market-place for out-of-province suppliers to exploit, particularly when there is a relative shortage of commodities available to Newfoundland food distributors. Without local industries and the stability generated by marketing boards, consumers in this province would probably still be putting up with inferior poultry, dairy and pork commodities being shipped into the province at variable prices throughout the year instead of the high-quality local food products that are now available at stable prices year round. In view of these contributions, the Task Force suggests that government re-affirm its commitment to the agrifoods commodity regulation process.

The important point is that the anti-marketing board feeling is getting stronger, not just in Newfoundland and Labrador, but across Canada. Those who advocate the elimination of, or reduction, in the powers of marketing boards have put forward a strong case to which the agrifoods industries have not responded convincingly. It is imperative that the Newfoundland and Labrador agrifoods sector tackle these issues head-on to answer consumers' concerns. First, marketing boards must ensure that the way commodities are regulated is beyond reproach: limiting competition and setting prices should benefit producers and consumers alike by stabilizing production and product prices. Second, they must open up the regulation process to public scrutiny and directly involve established consumer organizations in the decision-making process. This might eliminate the perception that marketing boards are secretive and protective societies which are accountable to no one. Third, and most important, the industry in general and marketing boards in particular must promote their activities to the public to show the importance of fostering a strong local agrifoods sector. This should entail undertaking research to outline the

overall benefits of commodity regulation to consumers as well as to show the potential impact on food prices, freshness and quality if the market place were opened up entirely to competition from outside suppliers.

The Task Force believes that a good promotion campaign on behalf of provincial marketing boards could generate more public understanding of the agrifoods industry, but some basic questions must first be answered:

- How does the cost efficiency of producers of regulated commodities in Newfoundland and Labrador compare to that of producers elsewhere?
- What are the differences between Newfoundland and Labrador prices and those elsewhere for milk, eggs, chicken and pork?
- What is the additional cost to Newfoundland and Labrador consumers (if any) attributable to supply management or marketing boards and is this cost built into producers' costs of production?
- Why should marketing boards have authority to regulate the wholesale or retail prices of any products?

Marketing boards are so named because they have a responsibility to market agricultural products on behalf of farmers. The amount of actual marketing that the boards undertake is quite minimal: they are seen as being regulators or order takers, rather than marketers. Part of the reason for this is that advertising and presentation can be costly and local marketing boards do not have the budgets to finance marketing campaigns. Nevertheless, while product prices are normally established by set formulae and choosing among processors is not really an issue in this province, there is no reason why the boards should not undertake more long-term planning and market development. Each of the commodity marketing boards should be requested by the new Agriculture Products Marketing Commission to prepare detailed five-year development and marketing plans for their respective industries. The plans should assess the current state of the industry, outline basic objectives for the next five years, establish a marketing strategy for increasing sales and market share and for promoting various products. From the public's perspective, a visible focus on marketing by boards will soften the impact of any criticism. Boards will be seen to be less concerned with protecting their industries and more involved with competitive promotion. This can only be an advantage for the sector as a whole and another approach to raising the image of agriculture.

Government should also undertake a detailed review of the roles and responsibilities of the current Agricultural Products Marketing Board (APMB). This board, reporting to the Minister of Forestry and Agriculture, plays an overseeing role in the operation of the province's supply management systems and marketing boards. It was established under the *Natural Products Marketing Act* which gives authority for five marketing boards to operate in this province (provision is made for the operation of a Vegetable Marketing Board as well as the Hog, Chicken, Milk and Egg Boards). The APMB has been seen to be ineffective over the years and it has been criticized from several quarters: consumers argue that it has not performed its overseeing role and has allowed the marketing boards to run rampant while industry argues that

the Board interferes with marketing board decision-making when it does step in to resolve a problem.

The APMB is undoubtedly constrained by the existing provisions of the *Natural Products Marketing Act*. The legislation does not allow the Board to perform the functions expected of it by industry, government or consumers: it is limited, for example, even in its ability to obtain information from the marketing boards. The APMB has to be able to operate as more than just an appeals mechanism for resolving marketing board disputes or as "the ears and eyes of the Minister". The APMB has to function as a strong body which oversees the entire agricultural commodity regulation system in this province. Just as important, it has to be seen to have considerable authority to protect all interests: the industry, government and consumers. The Task Force suggests that the name of the APMB be changed to the Agricultural Products Marketing Commission (APMC) and that the membership of the new Commission consist of the following members: one chairperson,⁴⁹ three neutral members (some preferably with a chartered accountancy or business background) and one producer representative. It is imperative that all APMC members, except for the Chairperson and the producer representative be neutral and independent with no ties to either the agrifoods industries or government. The Chairperson should have a sound knowledge of the agrifoods sector, the role of government in commodity regulation and of consumer issues. The Chairperson and members of the APMC could also become members for any committee established to review issues in any of the regulated industries, such as the Dairy Pricing Policy Committee proposed in Chapter 6 on the Dairy Industry.

While the Task Force does not agree with the Consumers Association that the APMB operate as a Public Utilities Board, government's review should be oriented towards restructuring the Board and overhauling the *Natural Products Marketing Act*. The question of whether or not industry and government should be encouraging the formation of new marketing boards is addressed below, specifically in relation to the vegetable industry. However, the Task Force fully supports the concept of agricultural commodity regulation through supply management and marketing boards, with the provisos noted above and in an earlier section on the principles for agrifoods development.

While it may appear marketing boards have been harshly treated in this chapter, the Task Force believes it has been realistic. There is no getting away from the fact that supply management and the use of marketing boards to regulate agricultural commodities are under fire at the provincial, national and international levels and this opposition will intensify in the next few years. The regulated industries also have to be realistic in how they deal with such opposition; they cannot hide behind government legislation and bury their heads in the sand. They will have to put more effort into countering opposition by operating in a more open manner and through promotional activities designed to inform the public of the benefits of commodity regulation. Marketing boards have a vital role to play in the future development of the Newfoundland and Labrador agrifoods sector and the Task Force would like to see them play that role unencumbered.

⁴⁹ The Chairperson would have an additional vote in the event of a tie vote.

The Task Force therefore recommends that

121. marketing boards pay considerably more attention and devote more resources to marketing their products;
122. government undertake a comprehensive review of the roles and responsibilities of the Agricultural Products Marketing Board, revise the *Natural Products Marketing Act* to allow the Board to perform the functions expected by government, the industry and consumers, and that it be reconstituted as a Commission;
123. all Agricultural Products Marketing Commission members, except for the Chairperson, and the producers' representative be neutral and independent appointees. The Chairperson should have a good knowledge of government, commodity regulation and consumer issues; and
124. the Agriculture Products Marketing Commission require each marketing board to prepare five-year development and marketing plans for its respective industries.

Co-ordination and Co-operation

The regulated commodities illustrate the benefits to be gained by industry from a high degree of co-operation among producers in production and marketing activities. The key to their success is that producers have agreed to work together, to co-operate in planning their production and to co-ordinate their marketing efforts. This assures purchasers of stability of supply and price; it provides some security to producers for production volumes, schedules and prices and guarantees consumers a high quality of product within a fairly stable range of prices.

Outside of the regulated commodities and the non-food producing agricultural industries, none of the assurances mentioned above necessarily apply. The local production of vegetables, fruits and meats (lamb, beef, veal and turkey) can be a hit or miss affair. Producers may never be sure where they are going to market their goods or of the prices they will receive from the commercial trades; they may not know which other farmers (even from their local area) will also be selling at the same time, the quality of those goods or the prices being asked. Purchasers, particularly wholesalers and retailers, do not know from day to day who might turn up with products for sale, thereby creating difficulties in out-of-province ordering schedules; they cannot be assured if local products are purchased one week that supplies of equivalent volume, quality and price can be delivered in subsequent weeks. Consumers, who have indicated that they prefer to buy local products, cannot bank on obtaining them regularly and prices may fluctuate from week to week. Of course, local sheep, beef and turkey producers have an additional problem because the larger retailers will not normally purchase meat which has not been inspected.

The loose and informal marketing practices and the unreliability of the vegetable industry, for example, frustrates major wholesalers and retailers. One retail chain now sends out questionnaires to individual producers before harvest starts, requesting information about the commodities that will be available during the season. This is an attempt to create some order in the system: by finding out what produce may be available locally, when, from whom and in what quantities, purchasing plans vis-à-vis external suppliers can be made well in advance. However,

it also means that the store has the upper hand in choosing which local products it will purchase, who it will purchase from and the prices that will be offered. This appears to be a backwards approach to marketing. It should not be up to individual retail companies to canvas the industry about what will be available: it is the responsibility of the industry to inform potential purchasers of the nature of their products, when they will be available and in what quantities.

Produce sellers should go one stage further and actively market their wares. This requires aggressive selling techniques and careful negotiations to convince buyers to purchase produce they might otherwise obtain from outside sources. Furthermore, the prices for each product should be established through negotiations between the industry and the food trades, not unilaterally by the store. Price negotiation should not be undertaken by each individual producer wishing to sell produce, but by individuals who can negotiate on behalf of groups of producers. However, there is no organization currently in place which can represent the interests of vegetable producers across the province. There is no reason why local agricultural associations and societies cannot initiate marketing activities on behalf of their members.

There are some commodity areas (such as sheep, strawberries and fur) where producers have formed industry associations, many of which are members of the Federation of Agriculture. To varying degrees, these associations initiate actions on behalf of members to assist farmers in their production and marketing endeavours.

The Task Force is impressed by the enthusiasm, organizational skills and the goals of many of these groups. Moreover, it is recognized that commodity groups and associations operate voluntarily and with limited funds and resources. They cannot afford to hire employees to undertake marketing and promotion activities on behalf of members and, therefore, projects can only be initiated by the volunteer producers. As these volunteers also operate commercial farm enterprises, time is also a limiting factor. Most groups receive some government assistance to cover operating expenses and special projects. The Task Force suggests that such assistance be increased to promote more organized product marketing, but only after organizations have developed and submitted detailed marketing strategies.

In some agricultural commodity areas, producer associations either do not exist or they are in various states of disarray. More producers grow vegetables than any other commodity, but as already noted, no association exists to represent them. Neither are turkey, beef and fruit growers (excluding strawberries and blueberries) united in any province-wide organization. Other commodities are represented by industry organizations, but collective action is extremely limited for a variety of reasons. The Blueberry Growers' Association, for example, represents an export-oriented industry, valued at well over a million dollars annually and with considerable potential for diversification and expansion. However, growers and processors complain of significant conflict within the industry and between blueberry growing regions. There appears to be a lack of collective action in this industry, so the future of the Association is questionable. The Task Force believes that the value of strong and effective industry or commodity associations which can act on behalf of producers (and, where appropriate, processors and others), to plan and effect marketing strategies, cannot be overstated.

Producer groups organized at the local level can also be quite effective in marketing and promoting agricultural goods although they suffer from even more limited resources, funds and time than provincial organizations. Regional producer associations form a basis for uniting farmers in a local area and for developing more organized marketing systems. There are over 50 regional agricultural associations currently in existence, although some may be inactive. It is suggested that stronger regional associations be formed to represent local area producers, that these groups communicate with one another and with provincial commodity organizations regularly and that they take responsibility for co-ordinating the marketing efforts of producers in local areas.

In more established agricultural regions of the country, producers have recognized the value of organized production and marketing. Consequently, a variety of methods for initiating collective action have been employed, including the creation of corporations and co-operatives. This is particularly true of Quebec producers who invariably belong to agrifood co-operative societies and in the Western provinces where the co-operative system is a way of life. In Nova Scotia, the Kings Produce Company illustrates how a handful of vegetable producers can form and use an incorporated company to organize their production, penetrate highly competitive markets and permit individual farmers to specialize in one or two basic crops. Also in Nova Scotia, the ACA Co-operative, a vertically integrated meat processing operation, and the Scotian Gold Co-operative, a major apple processor and supplier, were both created to serve the needs of agricultural industries in the Annapolis Valley and both have made their mark on the Canadian, as well as Atlantic, food scene.

The province's agricultural industries do not have a history or experience in formalized co-operation through either the corporate or co-operative models. There are many examples of producers incorporating their enterprises, but only a handful of examples where producers have formed corporations or co-operatives specifically with the intention of joining forces with others to provide collective production and marketing services. There is also no evidence to suggest this will change in the near future without a concerted effort on the part of industry to create an improved marketing system.

If the agricultural industries of this province are to develop, particularly the vegetable industries, they must organize themselves into effective and market-oriented groups, regardless of whether they adopt the corporate or the co-operative model of organization. Two of the more prominent producers' co-operatives, one in Central Newfoundland and the other on the Avalon Peninsula, attest to some of the successes that can be achieved in both collective purchasing and commodity marketing. The Task Force was encouraged to learn at the beginning of the year that a regional agricultural association representing a dozen or so vegetable and fruit farms had solicited the assistance of the Newfoundland and Labrador Federation of Co-operatives to help them form an agricultural co-operative. Together the Association and the Federation outlined a detailed plan showing how collective action could promote more rational production planning, product specialization, enhanced quality control, improved storage and transportation, organized marketing and bulk purchasing.

While it was recognized by all concerned that it would take several years to attain all of the group's stated goals, within only a few months a co-operative could be established and producers could derive some of the more immediate benefits: a co-ordinated marketing arrangement, for example, would eliminate competition between individual co-operative members when selling produce to the wholesale and retail trades. As one producer mentioned, he knew there was a better way to market his produce when one day he was on the highway to St. John's to sell a pick-up load of vegetables to a wholesaler, only to pass his neighbour returning from St. John's after selling his pick-up load of vegetables to the same wholesaler. It is bad enough trying to compete with the larger food distributors in St. John's, many of whom are subsidiaries to the retail chains, without producers competing against one another. The Task Force proposes therefore, that producers and producer organizations must investigate the benefits of co-ordinating their efforts and co-operating with one another in a formal manner. In particular, forming registered co-operatives or corporate enterprises should be considered so that the benefits of co-ordinated and co-operative action might be realized.

The Task Force was disappointed to hear that towards the end of 1990 the plans to form the agricultural co-operative had come to a halt. The area's farmers did not have a good season and the feeling was that produce prices would have to be stabilized as soon as possible. Therefore, they believed the industry should be focusing its efforts on resurrecting a province-wide Vegetable Marketing Board, rather than pursuing the longer-term, regional co-operative plan. The Task Force agrees that a Vegetable Marketing Board would benefit producers immeasurably and hopes that discussions now under way will lead to the creation of a Board. However, given the experience of the Vegetable Marketing Board and the general attitude of most vegetable farmers towards regulation, there is an air of pessimism among the industry about the chances of this plan succeeding. Many producers still remember Vegetable Marketing Associates Limited (VMAL) — the organized marketing agency of the late 1970s and early 1980s which collapsed after a few years. VMAL was created with the assistance of governments and its operations were financed through producer user-fees. Plants designed to receive, handle, package and despatch vegetables were located at key points across the island. A combination of poor planning on the part of VMAL decision-makers, over-capitalization by government and producer discontent resulted in the demise of the operation and bad feelings towards collective action on the part of the industry.

The creation of a Vegetable Marketing Board does not prevent individual producers from forming co-operatives or corporations. Farmers and their local associations, in all commodity areas, should be encouraged to consider the benefits to be gained from collective action in production and marketing, to determine the most appropriate form of co-operation and to commence as soon as possible working collectively with other producers. The Agriculture Branch, working with agencies such as the Economic Recovery Commission and the Federation of Co-operatives, is also encouraged to actively promote corporate and co-operative enterprise development in the agrifoods sector.

It is very easy for a group like the Task Force to suggest in a report such as this that producers focus on co-ordinating their marketing activities and formally organize themselves into corporations or co-operatives. After decades of independent development and working under

severe conditions, Newfoundland and Labrador farmers have considered and tried various ways to improve their operations through co-operating with each other. It is possible that what is missing from the formula is the impetus to formalize co-operative arrangements and to outline a structure on which co-operation could be modelled. Therefore, a sketch of an organization which could act as a model for co-ordinated action is offered below. This model is a modification and expansion of that considered by the regional agricultural association described previously. While a producer co-operative model of organization was chosen, this does not necessarily mean that the Task Force favours this model over the corporate one or over other forms of producer partnerships.

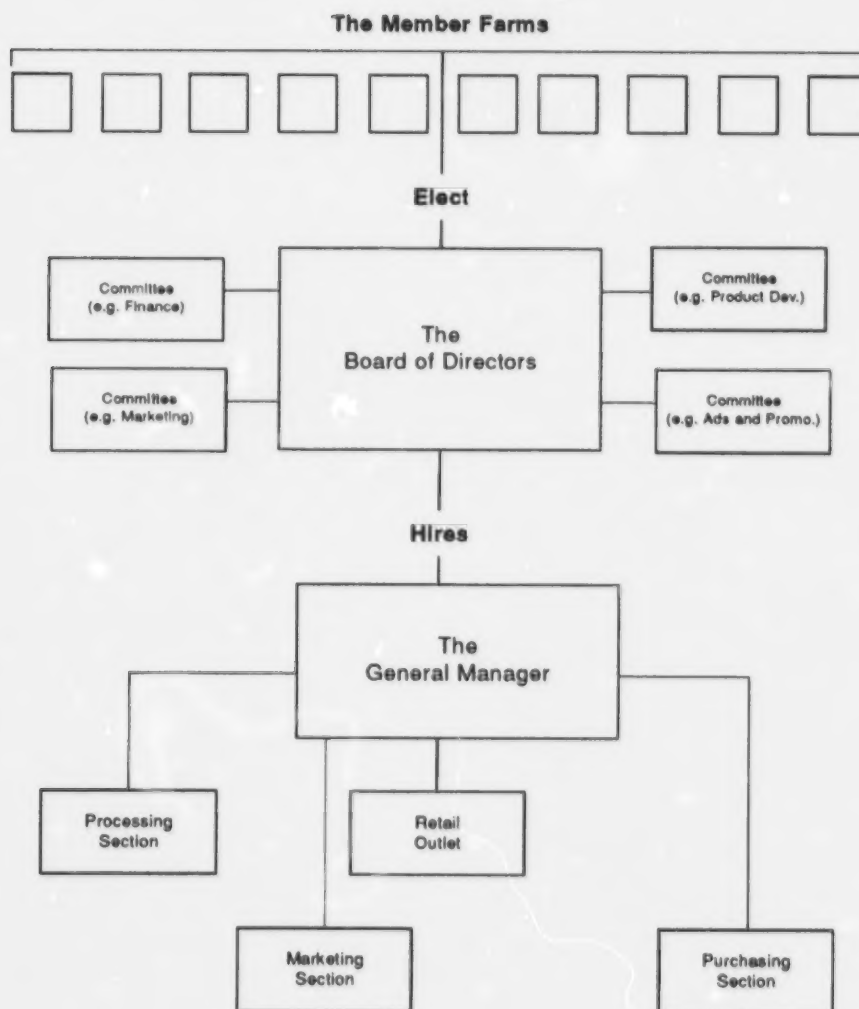
The plan might entail registering an enterprise under the *Co-operative Societies Act*. This would allow it to take advantage of many benefits available to formally registered co-operatives. Membership in the co-operative would be based on one voting member per farm enterprise and capital and operational needs would be provided equally by members. (See Figure 9.1.) The co-operative would consist of four basic branches, each one performing a separate function and operating under its own financial arrangements. The organization should not fall into the trap of believing that if one branch is losing money continually it can be subsidized by a profitable branch. Cross-branch subsidization should only be allowed for the short term, primarily to assist the start up of new operations or to offset temporary set-backs. If losses continue, that particular branch should be modified or eliminated. However, there should be a high degree of co-operation and activity linking each of the branches. Figure 9.2 shows the proposed structure of the four branches of the co-operative.

The first branch would be the *marketing* arm of the co-operative. It should be the main rationale for the co-operative being formed and, therefore, it has to operate effectively. This branch would engage in marketing and selling a set range of commodities grown by members and by affiliated non-members, and it should be responsible for negotiating and entering into contracts with buyers. As markets become established and demand increases, members can increase the range of products marketed through the co-operative either by sharing increased production in an equitable manner, or by producers specializing in certain crops. As the co-operative gains in experience and sales, specialization might increase, for individual producers could cut input costs by focusing on a limited number of commodities. As this happens, the level of marketing expertise and the amount of labour needed to market goods effectively would probably increase, thereby requiring a general manager and employees to be hired. At start up, co-operative members could probably handle most of the functions, particularly if they had expertise in product handling, marketing and promotions. However, it is advisable at the outset to acquire financial assistance to hire the services of an individual who has considerable marketing and sales experience.

The Marketing branch would engage in

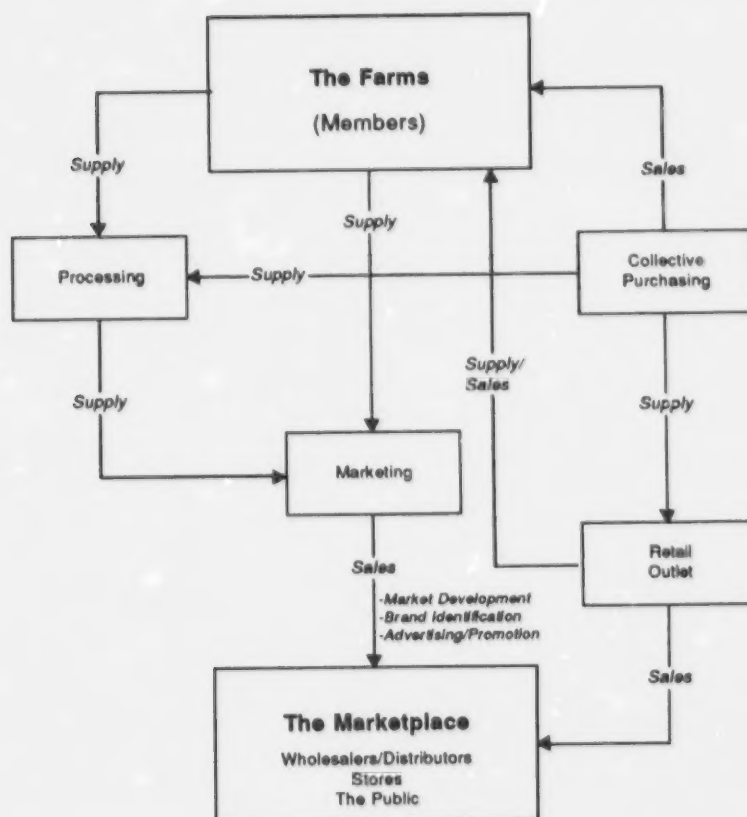
- market research, by acquiring up-to-date information about potential and actual markets, product prices and purchaser requirements;
- corporate image development, through identifying an image rationale, brand names, a logo and other features aiding product and corporate marketability;

Figure 9.1
Organizational Schema of
a Horticultural Co-operative



Source: Task Force on Agrifoods

Figure 9.2
Schema of Collective Services
for a Horticultural Co-operative



Source: Task Force on Agrifoods

- sales and distribution, by identifying the approach by which products would be sold within the framework of the food distribution system;
- sales and marketing, by capitalizing on existing markets and creating new markets for commodities produced by the organization; and
- production co-ordination, by determining how members should plan their production to fulfil market demands.

The second branch would handle *collective purchasing* of supplies for the co-operative's operations as well as for individual members. Producers who belong to the co-operative, working under agreed-to brand names and a logo, for example, could gain benefits from the bulk purchasing of supplies: 12 producers each formerly requiring 5,000 potato bags could now order 60,000 standardized bags at bulk discount prices. The collective purchasing branch of the organization would perform a key role in reducing product input costs, thereby promoting increased productivity and competitiveness of goods marketed. Furthermore, as a co-operative, it could use its relationship with the Co-op Atlantic organization not only to obtain supplies at competitive costs, but to receive any business management advice and financial planning assistance that might be required.

With a collective purchasing branch supplying members with basic inputs, the co-operative could derive benefits from opening a *retail sales outlet* for members and the general public. The outlet, the third branch of this organizational model, would offer for sale basic farm supplies, as well as a variety of other goods (for example home gardening machinery and equipment, seeds and fertilizers and animal feed) and any or all of the produce supplied by co-operative members and their affiliates. The retail outlet (or several if the need is identified) would not have to be located at the same place as the other branches: it could be established in a nearby community, along a highway or close to other stores. It could also be housed in the same facility as the collective purchasing branch to reduce labour and handling costs.

The fourth branch might be a *processing facility* designed to do more than semi-process produce. A co-operative will probably have to be operational for many years before enough capital is acquired, experience gained or markets secured to be able to venture into the secondary processing area. However, with enough members belonging to the co-operative who produce commodities for established buyers, the idea of developing markets for semi-processed or primary processed food items is certainly possible within a relatively short period of time. For example, there is a large fast food service trade that requires large volumes of ready-made salads, grocery stores that are buying packaged stir-fry vegetables and institutions that would welcome bulk semi-processed or processed vegetable products. The one warning here is that while B-grade produce or culls can be used in certain food processing activities, many secondary processed foods (vegetables that are frozen, canned or in microwave packs) require raw inputs that are of top quality.

The four branches could all service one another: the marketing branch could handle fresh vegetables, but also any processed foods produced by the co-operative, and the processing branch could respond to the product requests and market research of the marketing branch; the processing branch could also use the collective purchasing branch for procuring supplies, and the

retail outlet for selling directly to the public; the collective purchasing branch could acquire supplies for the retail outlet and, in return, the outlet could sell supplies to members and the public. Moreover, in the off-season, when local produce is not available, the co-operative need not close down. As with similar ventures elsewhere in Canada, the co-operative could gain access to vegetable and fruit supplies from Canada, the United States or from overseas so that it could continue its operations through the winter and spring. In effect, the co-operative would be acting as a wholesaler, as well as a processor and retailer. There is also no reason why the co-operative model could not include establishing direct links and commercial arrangements with other co-operatives, individual producers and producer groups not affiliated with the co-operative, and the agrifoods distribution and service industries.

It takes many years of careful planning to reach the level and sophistication of operation implied in the model. Yet, overnight success cannot be expected and there is no substitute for long-term planning. The outline can be used as a model for improving industry co-ordination and the level of operation described can become a long-term objective for any new corporate or co-operative arrangements.

The Task Force therefore recommends that

125. government financial assistance to producer groups and commodity associations be reviewed and, if necessary, modified to allow these largely volunteer organizations to undertake basic planning and marketing functions on behalf of their members;
126. vegetable producers form a Vegetable Marketing Board; and
127. the Agriculture Branch, using the resources and expertise of the Economic Recovery Commission and the Newfoundland and Labrador Federation of Co-operatives, work with producers who express an interest in formally consolidating their production and marketing resources.

Agrifoods Marketing and Promotions

In the old days, Newfoundland and Labrador growers stored produce in root cellars built underground to keep vegetables and fruit at a fairly constant and cool temperature and near-ideal humidity. Food commodities harvested in the summer and fall had to last through the winter to feed families and communities. For commercial farming operations, root cellars cannot handle the volume of produce that must be stored at any one time. Even though some farmers in this province still rely on the old methods and swear that modern technology is not as efficient as underground storage, producers can utilize all sorts of sophisticated storage methods that can preserve the quality and freshness of commodities for many months. Modern storage facilities allow temperature and humidity to be controlled very precisely and, in some cases, the atmospheric pressure inside the facility itself. Extra storage time allows producers to extend their marketing period well beyond the harvesting season.

Under the Canada-Newfoundland Agricultural Development Agreement (1978-1984) considerable funds were devoted to helping producers improve their storage methods to promote better quality produce. Assistance provided under the Market Development Program and the

technical programs was aimed at transferring and adapting storage facility technology to Newfoundland conditions. Several on-farm and community storage facilities using a variety of methods were established with the assistance of governments. Under the current Agrifoods Agreement, similar projects have been promoted with a concerted effort towards extending vegetable and fruit producers' marketing seasons. There are many farmers who can now store produce well into the new year so that they can sell good quality, fresh vegetables at a time of year when food distributors have to rely on foreign supplies. Almost 50% of the funding approved under the Market Development Program (almost \$400,000), has been spent on renovations or construction of storage facilities for vegetables and fruit. This is indicative of the need for basic infrastructure in the province's primary producing industries, particularly in the vegetable and fruit industries and in the poultry and livestock industries where good storage units can allow for higher quality, value-added products to be produced.

The wholesale and retail trades claim that one of the major problems they experience in dealing with local producers is that local vegetable and fruit supplies can only be obtained for a few months during and immediately after the harvest season. This is also the time when produce is readily available from other parts of Canada and the United States. Local farmers run out of fresh fruit and vegetables soon after the season is over, except for those who have both the volume and the facilities to extend their supply period. The agricultural industries themselves are clamouring for more information on extending market seasons through the use of better storage methods. The seminars held in St. John's and Deer Lake in 1989 on extending markets were attended by over 80 industry and government representatives and it was one of the most successful seminars ever organized by the Agriculture Branch.

Many of the recommendations proposed in this report advocate measures that are not infrastructure oriented. The Task Force's general approach to policy formulation is focused on better promotion, co-operation, co-ordination and integration of the sector and of the commodities produced rather than on expensive capital construction. However, it must not be forgotten that Newfoundland and Labrador agricultural development has lagged behind that of other provinces for several decades. Therefore, governments have not been able to devote the same resources to basic infrastructure as in other parts of the country where public monies are now being focused on specialized rather than basic infrastructure needs.

Both industry and government have identified the lack of adequate produce storage facilities as a major problem in the vegetable and fruit industries and the constraints to resolving this problem are almost exclusively financial: on-farm and community storage facilities are expensive to construct and the limited cost-shared funds available in the Agrifoods Agreement come nowhere close to satisfying the total requirements of the industry. It is suggested, therefore, that the total storage facility needs of the industry be assessed in detail before the negotiations for a new cost-shared agreement are concluded. If shown to be necessary, a section of the new agreement should be focused on the provision of basic production and marketing facilities. However, a good, solid argument must accompany such a proposal, given the federal government's apparent reluctance to invest in basic agricultural infrastructure at this stage in the sector's development.

The Task Force recognizes the need for appropriate washing, grading and processing facilities to support an expanded vegetable and fruit industry and the development of new product lines. With the eventual closing of the existing facility operated by NFPC in St. John's and Corner Brook, the Task Force has identified these facilities as possessing the capabilities to fulfil these alternate functions.

The province's emphasis on storage facilities in the last decade has not been accompanied by sufficient attention to post-harvest treatment of produce. It is one matter to store fruits and vegetables over the longer term until the market glut is over; it is equally important to ensure that field heat is removed from certain crops prior to storage and that methods be adopted to improve product handling in the field, from the field to the farm and on the farm itself. For certain kinds of fruits and vegetables, the failure to remove field heat immediately after harvesting and in the proper manner detracts from the value of long-term storage. Loading fruits and vegetables into inappropriate containers may also increase spoilage and detract from the products' overall quality and appearance.

The Task Force advises strongly that the post-harvesting practices of fruit and vegetable farmers be assessed in detail and that all education and training programs, seminars and information courses dealing with production and marketing stress the importance of removing field heat from produce quickly and efficiently and of careful packing and transportation from field to farm. With no expertise in the Agriculture Branch in this area, acquiring a post-harvest specialist from another province or within the federal research system for several months to advise the Branch and industry of initiatives to be undertaken would appear to be a logical step. Furthermore, it is suggested that all applications for government assistance from fruit and vegetable producers for projects aimed at increasing or diversifying crop production must outline how the enterprise proposes to harvest crops, the post-harvest treatments and the ability of the enterprise to store produce effectively. Assistance should not be provided unless the enterprise can demonstrate that each of these processes can be undertaken effectively. Similarly, to place greater emphasis on the link between production and marketing as outlined earlier in this section, applications for assistance aimed at increasing or diversifying production should also be required to show how the enterprise will market the products grown. Too often, assistance has been provided to producers who see an opportunity to grow a new commodity without undertaking the most basic market research to determine where additional crops can be sold. This has to change.

The Task Force does not wish to discourage any farm enterprise from diversifying or expanding its product base: further diversification away from the more traditional root crops as well as increased production can only benefit the industry and offer exciting new possibilities. Therefore, it is incumbent on the Branch to provide the necessary marketing support, through the use of specialists and agricultural field staff, to assist producers in identifying market potential, new product lines and ways to link production plans with marketing plans. The Farm Organization Services Bureau recommended later in this chapter may also be able to play a vital role in farm enterprise planning by assisting farmers to modify their product base, to improve their basic knowledge of available markets and to form producer co-operatives and companies.

The Task Force therefore recommends that

128. should the federal government refuse to cost-share the provision of basic infrastructure, such as storage facilities, government should be prepared to finance it, even if this means foregoing cost-shared funds in other programs;
129. government initiate plans to convert the existing slaughtering and meat-processing facilities of NFPC into alternate uses for vegetable and fruit washing, grading, storage, processing and the development of new product lines; and
130. to provide technical assistance and advice on market development and market promotion activities, the Agriculture Branch work closely with producers who plan to expand or diversify their crop base.

Plant Quarantine Restrictions There is a misconception throughout the agricultural industries and the general public that horticultural products in Newfoundland and Labrador cannot be exported out of the province. This was an issue that was raised at almost all of the Task Force's public sessions. Farmers expressed dismay over federal regulations restricting the movement of fruits, vegetables and other soil-grown commodities from entering mainland Canada. However, Newfoundland and Labrador producers can obtain export permits for shipping these products out of the province, provided certain conditions are met. Since a key factor in the development of markets outside of the province is the ability to move products across provincial and national boundaries, the misconception about plant quarantine restrictions must be corrected.

The international and interprovincial movement of plants in Canada is controlled by the *Plant Protection Act* which recently replaced the *Plant Quarantine Act*. The Agriculture Canada Food Production and Inspection Branch (FP&I) administers and enforces the *Plant Protection Act* to protect plant life and the agriculture and forestry industries by preventing the import, export and spread of soil-borne diseases and pests. The Act also provides for the certification of plants and other materials.

Because of the presence of the potato wart and golden nematode in this province, diseases which are not found elsewhere in Canada except on Vancouver Island, the export of produce to the mainland is restricted under the *Plant Protection Act*. There is no evidence that these diseases are present in the soils on commercial farms in the province, but the restrictions have a detrimental effect on pursuing market opportunities across the Gulf. The mandatory vehicle washes at ferry terminals (Port aux Basques and Argentia) contribute to the perception that no agricultural products or plants can be exported. Furthermore, producers who cannot sell all of their harvest locally, but have identified opportunities out of province, have found that Agriculture Canada will not issue export permits unless proper procedures have been followed. Again, this gives the impression to industry that export permits for horticultural products cannot be obtained. This misconception is widespread and neither government nor industry have spent much effort in informing producers or the public of the nature of the restrictions. Agriculture Canada has issued several export permits, even though only small volumes of agricultural

products have been exported in recent years, primarily for economic reasons. Such products include orchids, peat moss, caribou moss, blueberries and partridgeberries.

The following general conditions must be met to obtain an export permit:

- Agriculture Canada must first carry out an inspection and survey of the producing area and materials to establish that they are free from diseases and pests;
- all equipment used in harvesting, collection, processing and transportation must be clean and free of soil;
- the producing site must be a plant disease-free area with limited access to prevent contamination; and,
- the product must be securely packaged, sealed in bags and transported to the consignee without re-packaging taking place outside of the disease-free area in this province.

Within these general guidelines, each application for an export permit is treated individually.

While the Task Force supports the need for quarantine measures, these should only be temporary in nature. Efforts should be focused on expanding the production of potato varieties that have been proven to be disease-resistant; in areas where soil-borne diseases are known to be present, production should be prohibited until the soil can be declared disease-free. Furthermore, the federal government's vehicle inspection and cleansing program at ferry terminals has consumed large amounts of funds annually with questionable results. Prior to the vehicle inspection process (established in 1968) there was no evidence that soil-borne diseases had been spread to the Maritimes, even when large segments of the province's road network were unpaved and soil accumulated on vehicles prior to crossing the Gulf. In recent years, the vehicle wash program has been downgraded: not all vehicles have to go through the washes. This would imply that Agriculture Canada believes that there is little danger of the diseases being spread by vehicles. Furthermore, neither the United States nor European countries impose any such restrictions on soil or produce crossing state or national boundaries. Therefore, while inspection facilities should be retained at ports of entry, the car wash facilities should be eliminated and the funds redirected towards research and the promotion of disease-resistant crops. The Task Force concurs with the Newfoundland Task Force on Plant Health of 1983 which stated that the federal government must re-assess its position on quarantine enforcement and concentrate its efforts more on measures to eradicate soil-borne diseases.

The Task Force is alarmed at the recent federal decision to allow the movement into this province of blueberries from areas in Canada where berries are known to be contaminated with blueberry maggot. This maggot is not present on the island and, because of this, local blueberries could be marketed as a special product. In July 1977, a directive was issued by the federal government to control imports to Newfoundland of fresh blueberries and blueberry boxes and containers in order to prevent the spread of the blueberry maggot from the mainland. In 1989, this order was rescinded on the grounds that it constitutes an interprovincial trade barrier; thus blueberries may now be imported to this province.

Rescinding the 1977 directive was a regressive move in efforts to control and eradicate plant pests and diseases in Canada. Should the blueberry maggot be spread to Newfoundland, blueberry industry shipments could suffer and any future marketing advantage from promoting the berries as "maggot free" would be lost. The decision is also inconsistent with the federal government's position on maintaining plant quarantine measures for produce leaving the province: the quarantine measures preventing produce to be exported from Newfoundland appear not to be justified, but these are retained, whereas the restrictions on blueberry imports which are justified, have been lifted. The Task Force believes that producers in this province have every right to feel that the federal government is discriminatory in its implementation of plant quarantine restrictions and that the blueberry decision was made for political reasons, and against the interests of Newfoundland producers.

There are evidently several significant plant pests and diseases found elsewhere in Canada and the United States which are not known to occur in Newfoundland. The Plant Health Program of Agriculture Canada under the authority of the *Plant Protection Act Regulations* has a responsibility to prevent the spread of plant pests and diseases in all of Canada. The Task Force believes that not only should the blueberry directive for Newfoundland be reinstated, but also that both orders of government must place more emphasis on strict monitoring and control of pests and diseases which may be imported into Newfoundland.

The Task Force therefore recommends that

131. the province pressure the federal government to discontinue the vehicle washing program, and that the Agriculture Branch work closely with Agriculture Canada to develop a program (using the resulting savings) which will identify all soil-borne disease areas in Newfoundland and Labrador and eradicate the impact of these diseases on local agriculture;
132. the Agriculture Branch, in co-operation with the Food Production and Inspection Branch of Agriculture Canada and the proposed Farm Organization Services Bureau, disseminate information to industry about the provision of plant quarantine restrictions, the procedure for obtaining export permits for horticultural products and opportunities for exporting products from the province; and
133. the province request the federal government to re-instate its July 1977 directive controlling the importation of fresh blueberries and blueberry boxes to Newfoundland;
134. the provincial and federal governments jointly conduct a thorough evaluation and update of the 1983 report of the Newfoundland Task Force on Plant Health and take immediate steps to implement its recommendations.

Farmers' Markets, Fairs and Exhibitions Across Canada, farmers' markets have been established in most large urban centres and in numerous towns and villages. These markets provide an outlet for farmers, particularly those selling vegetables and fruit, to sell directly to consumers. They have become a routine stop for consumers during weekly grocery trips. Farmers selling directly to the public in this manner can by-pass layers of wholesalers and retailers, and

consumers can be guaranteed a wide range of fresh meats, vegetables, fruit and dairy products at reasonable prices. Farmers' markets usually feature other fresh foods and specialized goods, such as fish, breads and cakes, cheeses, delicatessen foods, flowers and crafts. The markets are operated either by local authorities or by private enterprise and vendors can rent space in an established facility complete with basic services for the convenience of vendors and customers alike.

There are usually regulations in place to ensure a degree of quality control of products and fair business practices by vendors. Some markets, particularly larger ones in urban areas, operate year-round by providing outdoor booth spaces for vendors in the summer and indoor spaces for those able to operate year-round. The Atwater and Jean Talon markets in Montreal, the Kensington and St. Lawrence markets in Toronto and the Byward market in Ottawa are well known to many Newfoundlanders who visit these Eastern Canadian cities.

The concept of farmers' markets has been slow to take hold in Newfoundland and Labrador, even in the principal agricultural districts. Without a commercial agriculture tradition, the market town has never really been a feature of the Newfoundland and Labrador landscape and communities close to agricultural regions have not capitalized on their proximity to farms by promoting direct sales markets. Even in the larger urban centres, direct selling by farmers is not organized to any degree. Where it does exist, farmers set up their own stalls or sell from their vehicles at various points within cities or towns. Even in the St. John's area, with several hundred thousand residents and over a hundred farmers within easy driving distance, the only market available is in the parking lot of Churchill Square: a space is provided in the summer and fall for producers to sell their vegetables and fruit directly from their vehicles.

The Churchill Square market was established by government in the early 1980s, but for the last few years it has operated under the authority of the City of St. John's. The City is proud of its contribution to agriculture, but the total of its promotional effort amounts to reserving a portion of the parking lot for farmers' vehicles, putting up a sign, issuing vendors' licences and collecting garbage. The market contains no buildings, stalls or facilities of any kind; it offers no protection to buyers or sellers from the weather; there is no storage space, running water, electrical hook-ups or proper garbage facilities provided; there are no regulations in place to protect consumers by ensuring that quality control or health standards are met, nor is there any security or tenure rights for the vendors who regularly use the market.

The vendors who use the Churchill Square market have established a reputation for offering quality goods at reasonable prices, and increased patronage over the last few years attests to this. The business establishments permanently located in Churchill Square support the market for they believe its presence attracts customers to the area; people working in those establishments patronize the market regularly. There is also evidence to suggest that the upgrading of the produce section in the only supermarket in the Square was influenced by the presence of the market. However, the market would probably disappear if any of these circumstances changed. Should the renovation and expansion of the Ayre's building lead to an increase in the Square's patronage, lack of parking space could easily result in the City reclaiming the land assigned to the market.

The total value of the agrifoods industries to the City of St. John's is at least \$100 million in annual sales. This includes sales of agricultural commodities from over a hundred farm enterprises in close proximity to the City, other agricultural production units like greenhouses and nurseries, the dairies, abattoirs and meat plants, food processors of many kinds, baked goods and confectionery, the commercial food service trades, and so on. If the City, government, the business community in general, and the agricultural industries in particular, were to realize the economic, commercial and other benefits derived by St. John's residents from the agrifoods industries and add to that the demand for fresh seafood products and crafts (which are usually compatible with agrifoods products in market outlets), more might be done to promote them within the urban area through organized direct sales outlets. To a lesser extent, this same argument applies to other major population centres: Stephenville, Corner Brook, Grand Falls, Gander and Clarenville.

The Agriculture Branch and the industry should actively promote urban and regional farmers' markets in the larger centres, smaller towns close to agricultural producing areas and in the agricultural areas themselves. Small farmers' markets can be established quite inexpensively by municipalities in conjunction with local farmers, chambers of commerce and government. These markets do not need to be extensive in area or lavish in facilities, particularly if they serve only a small population base. They can be seasonal in nature, operating during times of harvest and additional benefits can be gained by encouraging the local fishing industry, craftspeople and others in complementary activities to participate in selling directly to consumers in this fashion during the summer and fall months.

Encouraging farmers' markets in the main agricultural areas, rather than in towns, may be preferable in some instances. This may depend on the levels of demand of urban populations and the range of goods and services that agricultural areas can offer. Once again, if there are local fishing and crafts industries in the area, then the range of goods available increases significantly. Encouraging farmers' markets outside of the urban areas may not be so convenient for consumers, but rural markets which develop a good reputation provide incentives for town dwellers to travel several kilometres to the vendors. Thus, the regional farmers' markets take on a role that is different from urban markets in that they become somewhat of a tourist attraction in themselves.

In Ontario, the St. Jacob's Mennonite market just outside of Waterloo has a province-wide reputation for the quality and range of goods available. It illustrates the impact on rural communities of established farmers' markets and the lengths to which urban residents will go to patronize them, even though many of the products offered at the market can be purchased in grocery stores. The St. Jacob's market serves the immediate Kitchener-Waterloo-Guelph area as well as London and Hamilton (both an hour's drive). Much of its patronage comes from the greater Toronto area which entails at least an hour's drive each way. The revenue derived from product sales, restaurant and food services and gasoline sales alone is important to merchants and farmers and to the local economy generally.

The St. Jacob's market is an indoor-outdoor facility offering a wide range of goods: fruits and vegetables, meats, baked goods and cakes, cheeses, eggs and dairy products, honey and

syrups, home-made juices and beverages, freshly prepared ethnic foods, herbs and spices, delicatessen foods, flowers and ornamental plants, wools and knitted goods, tapestries and other crafts. A permanent flea market and a regular livestock auction add to the market's flavour. Various specialized food services, washroom and comfort facilities, and adequate parking are available for vendors and customers. Provincial regulations governing vendors' marketing practices (identification of products' origins, grades and prices) protect both vendors and consumers: consumers are assured they get what they pay for and farmers who use the market regularly as an outlet can be protected from the occasional vendor who employs shady selling practices. The market is kept spotlessly clean and in good repair, despite the fact that on a normal Saturday morning in the summer and fall, several thousand customers squeeze their way through the main building.

While Newfoundland and Labrador cannot hope to emulate the St. Jacob's market in size, variety of goods or facilities available, there is no reason why the basic concept cannot be used in this province. Farmers' markets could be considered for rural areas where local agricultural industries produce fresh food commodities. The markets would not have to be lavish; they could consist of a basic structure (not necessarily a fixed one) with booth space and facilities providing convenience for vendors and customers. They must be capable of providing local vendors with outlets for selling high-quality agricultural food, fish and craft goods directly to the public. An alternative is to establish markets in the principal towns and cities close to the agricultural districts. This would require vendors to travel to customers. Also, not to be forgotten is the small agricultural industry in the Lake Melville area of Labrador. There is no reason why the Town of Happy Valley-Goose Bay could not establish a small, seasonal farmers' market with the co-operation of the local Agricultural Society, the Regional Development Association and the area's agriculture representative.

In the St. John's area, a proper centralized market must be established. It should be developed as a year-round facility: outdoor space offering protection from poor weather should be provided for farmers to sell their produce during the summer and fall, and indoor booths should be provided for vendors operating twelve months of the year. The market, therefore, has to be housed in a building which provides adequate space, facilities and conveniences on a par with other centralized urban markets in Canada. It should be more than a market outlet for farmers selling fruits and vegetables. It should provide for sales of a range of other fresh and specialized goods: meats, dairy products, cheeses, baked goods, cakes and pastries and home-made specialty foods (like jams, jellies and relishes), as well as flowers, craft materials and hand-made goods. The wider the range of goods the better chance the market has of attracting more diverse customers. Consumers do not normally want to visit half a dozen different stores to complete their weekly shopping: stopping at one facility, such as a centralized market, to purchase fresh produce, meat, breads and other requirements, would be appealing to many consumers who place a value on the time they devote to shopping trips.

There is no reason to believe that Newfoundland and Labrador consumers are any different from other Canadians in their general food purchasing behaviour and attitudes. Farmers' markets have become popular in Canada primarily because consumers know the produce they purchase directly from farmers is of high quality, fresh, nutritious and tastes better than store-bought

produce. The foods they buy are only a day or two old rather than the two weeks it takes most produce to pass through the commercial food chain. Surprisingly perhaps, price does not appear to be an important factor for consumers buying products at a market. Producers selling at farmers' markets should not be offering their top quality vegetables and fruit at prices below the grocery stores if their produce is superior in quality. Target markets should be segmented when making pricing decisions so that top quality produce commands a price which reflects the high degree of freshness, and lower quality produce can be offered at a discount. For example, strawberries picked two days ago should be priced at a discount compared to those picked yesterday or today and consumers should be told exactly what they are getting for those prices. However, in pricing products, farmers have to pay close attention to equivalent prices in the retail stores so that their prices do not fall out of line.

Determining the precise location of a centralized market for St. John's will be important for it has to take into account a variety of factors: accessibility, impact on traffic flows, vendor space, parking, rental and operating costs, etc. One important factor is the impact creating such a market may have on the current operations of small-scale specialty stores whose customers the market may lure away. This should be assessed carefully so that the proposed market's operations do not cause unnecessary hardship for these enterprises. If promoted properly, many of these specialty stores might wish to participate in a centralized market. This might be especially true for the privately run fish market on the harbour front which the Task Force was told has to close during the winter months because of a shortage of running water. The major grocery retailers might object to a centralized market. The proposed market might be viewed by them as competing directly with their outlets. However, the Task Force has seen no evidence that the larger retail chains have paid much attention to the negative impacts their decisions about recent expansions and new outlets have had on smaller food stores. Therefore, while discussions with the retail chains over the proposed market should be undertaken, retail opposition to a local market should not be a barrier. The proposed market can be located anywhere in the greater St. John's area, but the City is a focal point for the shopping needs of residents of the entire Northeast Avalon: location within St. John's itself may be more viable than a location in Mount Pearl, the Goulds, Torbay or Conception Bay South.

At the Churchill Square market, at other direct sales outlets in the province and when produce is sold from trucks parked on the highway, there is nothing to prevent imported produce being sold under the guise that it is locally grown, and there are no requirements for vendors to wash, size, grade or price their products in any particular way. Purchasing vegetables and fruit through direct sales is truly a "buyers beware" process and some consumers steer clear of them for this reason. Furthermore, most commodities purchased at farmers' markets are edible products. The sale of food products is usually regulated in the interests of consumers' health and safety. The Task Force wonders why governments allow farmers to sell vegetables, fruits and other foods directly to consumers without ensuring certain health and safety measures have been observed. The Task Force suggests that over the next five years, government devise and implement appropriate regulations to govern how fresh agrifood products are sold. It should also determine the least costly, but most effective method of enforcement. These regulations should apply to all sales outlets, including the more organized system of centralized (urban) food

markets, rural farmers' markets and retail outlets. The regulations should not be extensive, nor rigidly applied without thought to the circumstances of the agricultural industries. However, they should be aimed at both protecting consumers and assisting commercial producers in selling their wares to the public in the most effective way.

Farmers' markets have an added feature in that they become one of agriculture's showcases to the public and they can do much to promote the sector. Nevertheless, fairs and exhibitions also become important in the promotion of agriculture because they bring together the agricultural community and link those who produce food with those who purchase it. Agriculture Canada's annual Open House at Brookfield Road in September, agricultural exhibitions and fairs across the province, special events like the Brigus Blueberry Festival and the Labrador Straits Bakeapple Festival are well attended by the public. They promote agrifoods and, in some cases, are set within a tourism context: the Humber Valley Strawberry Festival, for example, brings in over \$1 million in gross receipts each year. The Task Force notes that government and industry should recognize the benefits to be gained by agriculture at times when the public comes into direct contact with producers at shows, fairs and exhibitions and at farmers' markets. Given the direct vendor-consumer relationship existing at farmers' markets, industry should impress on producers the importance of courteous and fair customer relations and government should assess the need to offer short courses or seminars for producers on direct product selling.

The flagship of agrifoods promotions in the province is the annual Food and Livestock Show, held in the St. John's Memorial Stadium in October. The Show runs for four days and is packed with agricultural events of all kinds, and all components of the agrifoods industries are represented in the booths and exhibitions. A combination of visitors paying a set entrance fee and bus loads of school children visiting the Show results in more than 25,000 people attending each year. The Show is well publicized through the media and by posters and it appears to receive good reviews in the press.

The Task Force supports government and industry's sponsorship of an annual Food and Livestock Show and of the idea of adopting a different theme for the Show each year. However, for the 1991 Show, it is hoped that considerable emphasis will be placed on the integrated agrifoods sector and that representatives of the wholesale, retail and food service industries, as well as agencies promoting nutrition and food health, can be persuaded to join in the festivities. Furthermore, the four days of the Show during the peak of the harvesting season offer an ideal opportunity for an outdoor farmers' market to be held in the Stadium's parking lot. This should be the largest outdoor market in the province and it should be promoted and used to show off the wide range of goods produced by Newfoundland and Labrador farmers. The net cost to government for the 1990 Food and Livestock Show was \$23,000, excluding salaries and overtime costs: the total amount budgeted for the Show was \$58,000. Of this, about \$10,000 was spent on advertising and promotions, including the Branch's food preparation demonstration area. The Food and Livestock Show is an important event which the Task Force hopes will be maintained and even improved in years to come.

Regional agricultural fairs, which are much less expensive, easier to organize and which focus on local agricultural industries, must not be ignored in government's promotional plans.

Agricultural fairs in places like Lethbridge-Musgravetown and Harbour Grace, for example, are beginning to attract visitors over considerable distances; they are the heart and soul of local agriculture for they not only show off an area's farming expertise, but also allow farmers to compare notes, swap information and compete with one another in terms of farming skills, methods and products. Government sponsorship of these regional agricultural fairs tends to be minimal, with small grants of under \$1,000 awarded to the groups organizing them. The level of funding for these kinds of regional events must be reviewed to ensure that all agricultural districts have an equitable chance of promoting their activities annually.

The Task Force therefore recommends that

135. the Agriculture Branch adopt, as part of its marketing policy and strategy, the promotion of organized direct sales outlets, such as farmers' markets, for rural and urban areas alike, and that in particular, governments and industry should approach the St. John's City Council with a proposal for jointly establishing an indoor-outdoor centralized market facility in the urban area;
136. government devise the most appropriate way to implement quality control and fair trading practice regulations for all direct sellers of agricultural food products;
137. government and industry continue to sponsor and organize the annual Food and Livestock Show held each fall in St. John's, ensuring that in coming years the show reflect the integrated nature of the agrifoods sector and participation from all components of the sector;
138. in addition to the Food and Livestock Show, governments support, encourage and provide more funds for local farming associations to organize and promote special events, such as fairs, exhibitions and competitions held in the agricultural regions of the province.

The Food Distribution Industries The increased emphasis by governments and industry on linking production and marketing, promoting centralized urban markets, farmers' markets, livestock and food shows, fairs and exhibitions, together with better on-farm production and storage methods, will benefit the entire agriculture sector in general and fruit and vegetable farmers in particular. While previous comments have been focused on the crop industries, it should be noted that livestock and poultry producers are not excluded entirely from most of the points raised. Regardless of whether or not their commodities are regulated or the constraints on marketing imposed by a lack of inspection facilities are onerous, producing foods that purchasers are interested in buying is the purpose: success depends on the methods used to promote and market commodities to industry buyers and consumers.

Throughout the mandate of the Task Force, attention was directed beyond the primary production industries towards the agrifoods distribution trades — wholesalers, retailers, the food service industries and institutional food services. Occasionally, the Task Force wondered whether it had placed too much emphasis on downstream agrifoods activities to the detriment of primary agriculture. It is concluded that even more attention could have been paid to these trades. This

point was confirmed during October 1990, when the Task Force performed a study of the agrifoods retailing industry. A survey of various retail outlets in the area around St. John's (ranging from the small independent grocery stores to the larger chain retail supermarkets) and major retail outlets elsewhere across the province illustrated many of the key problems faced by agricultural producers. Notwithstanding the comments made earlier in this report about the need for producers to pay more attention to their markets, the Task Force got the impression that the retail trades, particularly the larger supermarket chains in the vicinity of the capital city, do little to recognize local food production and even less to promote it. There is little incentive for them to deal with local producers regularly and, on those occasions when local products are sold to wholesalers and the retail chains, the stores do not go out of their way to inform their customers that food items being offered are produced locally. That the foods on supermarket shelves are locally produced and, therefore, are fresher than the imported foods being sold on adjacent shelves appears not to be a high priority for the retailing industries.

The month of October represents the peak of the harvest for local vegetable producers, and several varieties of local wild fruits are commonplace throughout the province. It is also the time when local lamb is being slaughtered for distribution, turkeys are available for Thanksgiving and, in 1990, October was designated "Fresh Local Chicken Month". Yet, retail chain stores visited by the Task Force did not display posters, brochures or promotional materials for any of these local products. Fresh chicken products from the Newfoundland Farm Products Corporation are available in almost all stores year round. In many supermarkets, local chicken cut up in the stores is not identified as such — unless staff have time to place the Farm Products' labels on the trays. On one occasion, Farm Products' chicken was displayed on a shelf immediately below a sign advertising fresh chicken from the Maritimes: only the local Agriculture Canada inspection stamp allowed the local product to be identified as such. The decor of several supermarkets includes murals of fruits and vegetables, but none of these were oriented in any way to produce that might be grown locally, even though local produce was available. Nor were there many signs that distinguished local produce from imported fruits and vegetables. Local produce, such as fresh and well packaged blue potatoes, was often buried under imported goods; local fresh and processed meats were occasionally not distinguished from imported meats, and other locally produced food items were not given the shelf-space prominence of imported products. It is hard to understand why in the height of the local season for turnips, cabbages, carrots and other root crops, for example, the vast bulk of these crops are brought in by the retail chains from Quebec, Ontario and even from the United States.

Major chain supermarkets in the province promote their products using flyers as supplements in newspapers. Rarely do these flyers feature any local food products except when fluid milk is promoted. The Task Force recognizes that commodity advertising in this manner comes as a result of contractual arrangements between the manufacturer or supplier and the retailer; often advertising is built into the retailers' incentive, or discount, offered by the seller. Media advertising by food stores can be an effective way to promote products and the Task Force urges industry and the retail trade to negotiate how local products may be featured regularly in media promotions. One supermarket chain in the province, for instance, has recently devised a

graphic symbol — a green square with a white silhouette of the island of Newfoundland inside it — which it uses in advertising supplements to identify products of local origin.

Outside of the larger retailers, the smaller independent grocery stores paid considerably more attention to the presentation of their local produce, meats and dairy products, and to the promotion of locally processed foods. The Task Force was impressed by the offerings of several quality family grocery stores and the lengths taken to promote local industry. Perhaps what this illustrates is the difference in attitude between the larger, vertically integrated food distribution industry with its supply base extending well beyond the province and locally owned businesses which endeavour to buy Newfoundland and Labrador agricultural products when the opportunities arise. Outside of St. John's, some of the larger retail chains displayed local food products with much more enthusiasm than their city counterparts, particularly in towns close to major agricultural areas off the Avalon Peninsula. In some stores visited, produce sections could not be faulted for the quality of local products or their presentation and identification. However, in other stores, again close to agricultural areas, the presentation of foods in general and local foods in particular left a lot to be desired. Smaller stores off the Avalon are more limited than the retail chains in the variety and quantity of fresh produce and meats offered, often because of a lack of storage and refrigeration space.

If there is no incentive for the larger retail chains to promote local agricultural products regularly, it is partly because the local producers, processing firms and other agricultural organizations do little to provide that incentive. Why was the designation of October as "Fresh Local Chicken Month" not accompanied by a barrage of posters and advertisements sponsored by Newfoundland Farm Products and the Newfoundland Chicken Marketing Board, and why were these materials not circulated in all large and small retail stores selling chicken products across the province? Why should the retail industry be expected to promote local products if producers, processors and their organizations are not willing to do so? Each of the large retail chains claim they would like to support local industry and they have offered to take whatever steps they can to raise the profile of local food products. The smaller groceries will do likewise. This suggests that in future, retailers may be willing to work more closely with local producer organizations and suppliers. A co-operative approach to promotion should emphasize a complete range of promotional methods, including product identification, source identification, competitive and premium pricing strategies, information pamphlets, recipe publications, nutrition brochures and special in-store or in-restaurant displays.

The Task Force suggests that government devote resources to the wholesale, retail and food service sectors, with special emphasis on the chain retail stores. Currently the Branch's marketing staff is stretched so thin that it cannot handle all the agricultural marketing issues let alone deal with the retail trades. However, if the industry is to advance, it has to overcome the problems encountered in marketing goods through the commercial food trades; governments, in conjunction with the industry, must provide the leadership. There is a need for at least one marketing specialist to work exclusively with wholesalers, retailers, the food services and the institutional food trades. A retail marketing specialist could forge strong links between what agriculture has to offer and the food industries' needs by co-ordinating the activities of producers, processors, agricultural organizations, the proposed Farm Organization Services Bureau (see below) and other

groups; promotions could be organized so that posters, brochures and other materials are prepared and distributed to coincide with the availability of certain types of products, and overall presentation and promotional methods of stores, restaurants and food outlets can be monitored. While it is expected that the industry will play a much stronger marketing role in future, only government can perform the promotional role identified above in a truly neutral fashion.

It is also suggested that governments and industry develop and implement an appropriate Newfoundland Products promotion campaign for the 1991 season. Normally these campaigns require considerable funds (as with the campaign launched in the early 1980s). However, even if the campaign is only a modest one initially (entailing the distribution of signs, logos, posters and pamphlets to identify local products, for example), at least it would represent some form of activity in the area of marketing and promotion. Of course, the extent of the campaign might depend on which agrifoods industries are willing to participate and the levels of their contribution: there is no reason why government should bear the brunt of the cost. Where possible, joint projects might be arranged, such as with the accommodations or restaurant industries, the fishing industry or with tourism associations. All of the marketing boards, producer groups and local processors should be encouraged to participate and the targets should be the major buyers of food products.

As part of the campaign, the willingness of the retail stores to promote local products should be put to the test. The retail sector, in particular, is still fairly competitive across the province, despite recent consolidations and closures. Therefore, government should utilize retail and food service industry competitiveness by developing a Food Industry Awards Program. Each year, government could present retail stores, food service outlets and institutional food service agencies with awards for special contributions made to the presentation of food products, recognition of local food products and any other exemplary display or promotional activities benefiting consumers or the agricultural industries in this province. Awards could be presented to appropriate owners or managers in person by the Minister of Forestry and Agriculture at a special annual function dedicated to this purpose. The awards and presentations should be well publicized through the provincial media and results relayed nationally through trade journals and magazines. The awards themselves would not necessarily carry any cash value, for the prestige of gaining an award and the resulting publicity alone would allow stores, restaurants and other food outlets cited to benefit from increased patronage.

The Task Force therefore recommends that

139. industry and the Agriculture Branch develop more co-operative and harmonious relationships with all components of the agrifoods sector, particularly the wholesale, retail, food service and institutional food trades;
140. the agrifoods industries develop, as part of their marketing strategies, product promotion campaigns;
141. governments and industry develop and implement a Newfoundland and Labrador Products promotion campaign for the 1991 summer and fall season with the aim of making this an annual event;

142. the Agriculture Branch devote more attention and resources to the wholesale, retail and food service trades within its marketing division, and a marketing specialist be retained to deal exclusively with these industries; and
143. through the activities of the retail marketing specialist, government sponsor and run a Food Industry Awards Program aimed at encouraging retail and food service trades to pay greater attention to the presentation of food commodities and the recognition of local food products.

Government Involvement in Marketing

Neither the provincial nor federal governments engage in or sponsor agrifoods marketing activities to any considerable extent. The Agriculture Branch allocates just over \$90,000 of its annual budget of about \$19 million for market development activities (excluding cost-shared marketing program funds). Of this amount, almost half is used to pay for staff salaries. The marketing staff consists of a marketing specialist and one or two business students employed for about four months and together, they are responsible for the full range of provincial (and cost-shared) agrifoods marketing activities. In contrast, the Agricultural Products Marketing Board (covering the regulated commodities only) has an annual budget of over \$160,000 and employs a staff of three. Therefore, once salaries and associated staff costs have been accounted for in the Branch's Marketing budget, there is only a minimal amount of funds available for initiating marketing projects.

The federal government considers its share (62.5%) of the funds allocated to the Market Development Program of the Canada-Newfoundland Agrifoods Development Agreement as its contribution to marketing. Just under \$900,000 (of the \$8 million total) was allocated by both governments to the Market Development Program of the Agrifoods Agreement, to be spent over five years. However, at the mid-way point in the agreement, committed expenditures are approaching this total allocation. There is little doubt that, overall, marketing is under-funded and available financial resources for marketing projects are in high demand.

The Agriculture Branch marketing staff have responsibilities similar to those of their counterparts in other provinces and they are also responsible for managing the Agrifoods Agreement's Market Development Program. Therefore, with essentially one full-time employee and limited resources, many opportunities to promote agrifoods marketing must be put off or passed over; the Branch does not have the resources to handle most of the marketing needs of the primary agricultural industries, let alone venture into the areas of processed foods or the commercial food trades. Much of this work is reactive rather than anticipatory and very little attention can be devoted to long-term projects. Nevertheless, some good marketing projects have been initiated over the years and a basic level of market planning and research is performed adequately.

Under the Agricultural Development Subsidiary Agreement (1978-1984), a "Newfoundland-grown" agricultural products campaign was sponsored. This involved designing a logo, producing several posters on various commodities, brochures and other printed materials, and promoting locally grown agricultural foods through the media. The aim was to raise consumers' awareness

of local products through the retail trades and direct sales outlets. The campaign was a valiant effort, but it could not be sustained (primarily because of limited funding) and its promotional effect wore off very quickly. At about the same time, direct sales outlets were created, such as the Churchill Square Farmers' Market. While this project involved only minimal funds, the market has survived and more producers and consumers appear to be using it each season.

While there are other projects that have been implemented successfully, the Task Force has to conclude that the encouragement, sponsorship and promotion of agrifoods marketing has not received the kind of attention that the industry requires. Newfoundland appears to be lagging behind other provinces which recognized several years ago that agrifoods production was increasingly becoming more market-responsive and market-driven. As a consequence, several provinces have implemented major marketing programs within the context of long-term marketing strategies, complete with specific goals and objectives. The Task Force suggests that the Agriculture Branch follow the lead of other provinces and prepare a comprehensive marketing strategy for Newfoundland and Labrador agrifoods based on the relevant sections of this report and in conjunction with the industry. Below is a list of the principal elements which the strategy should encompass.

Market Research includes investigating new domestic, national and international markets for Newfoundland and Labrador agrifoods products; monitoring consumer trends and preferences; and reviewing food consumption patterns across the province to identify regional variations.

Market Information includes collecting and disseminating current market information, such as product prices and availability; incorporating market information into existing databases for use by producers, the food trades and consumers; and developing and updating a database and statistical profile of commodity and industry markets.

Product Promotion includes promoting the agrifoods industries and their products through fairs, exhibitions, promotion campaigns and consumer awareness programs; encouraging co-operative marketing ventures between producers and other industry groups; preparing and disseminating nutritional information about local foods through recipe brochures and pamphlets; assisting producers in labelling, packaging and promoting their products; assisting producers in targeting their products to specific market segments; and maintaining a current library of audio-visual resources to assist staff in their promotion activities.

Product Development includes working with industry to develop new or modified products for the retail and food service industries; linking together private investors, research and education institutions, government departments and the agrifoods industries to develop an awareness and understanding of the product development potential and research capabilities of the Newfoundland and Labrador agrifoods sector.

Food Preparation and Nutrition includes providing services to agrifood product marketers and promoters; providing general information to consumers throughout the province on the importance of nutrition, diets and food health; developing and promoting food preparation skills and methods through recipe development, promotions at fairs and shows and demonstration events; providing information and working with groups and individuals interested in promoting

nutrition, diets and food health within governments, the agrifoods industries, the school system and consumer advocacy organizations.

Extension Marketing Services includes providing technical assistance to producers and producer organizations on marketing-related issues; assisting producers in developing marketing strategies for their products; monitoring marketing-related projects implemented by governments and the private sector; collecting and disseminating market information to interested parties across the province; maintaining a close relationship with wholesalers and retailers across the province; and working closely with agricultural field staff on marketing-related issues.

The functions of the Branch marketing staff listed above will necessitate a close working relationship with the proposed Farm Organization Services Bureau. It is suggested that the Bureau and the Branch be linked by the same computerized information system, that their databases be compatible and that a market information databank be linked to systems used by the federal government and other provinces. Computerized information systems can be used to provide the agrifoods industries with an access to details on a wide range of marketing topics, including storage, further processing, new packaging techniques, product development, nutritional information and market opportunities. In many cases, the Bureau may assume responsibility for some of the activities noted above, particularly those related to information collection and dissemination. However, the Bureau's function is different from that of the Branch, so the kinds of information collected by the Bureau may not always be compatible with the Branch's needs. The Branch should co-ordinate its activities with the Bureau, and Branch representation on the Bureau's Board of Directors should be drawn from marketing staff.

The Task Force therefore recommends that

144. governments increase their commitment and funding to agrifoods marketing programs within the context of an established marketing strategy for the province;
145. the Agriculture Branch prepare a comprehensive marketing strategy for Newfoundland and Labrador; and
146. the Agriculture Branch increase its marketing staff to ensure all marketing activities can be accommodated, including those associated with the food distribution and service trades.

Farm Organization Services Bureau Even if the Agriculture Branch and industry develop a marketing strategy for agrifoods products over the short-term, the industry will still be constrained through a lack of good knowledge about the agrifoods distribution trades and about markets. Without good information about market availability, product specifications (for example, sizes, packs and grades), storage details or product prices, and because there are few mechanisms in place to disseminate that information, marketing outside of the regulated commodities will remain largely an individualistic process. The Agriculture Branch did operate a code-a-phone information line providing basic agricultural information to the industry. However, this service was only in operation for a couple of years. The Agriculture Branch and the industry should jointly sponsor the creation of a Farm Organization Services Bureau. The Bureau would provide

a full range of basic and specialized marketing services to all agricultural industries and to the general public.

The Farm Organization Services Bureau could consist of one full-time employee, supported during the summer and fall by part-time or temporary student help. It could be established from Agrifoods Agreement funds with a major portion of operational support coming through levies to commodity organizations and set fees paid by individual producers. The Bureau would solicit membership from principal commodity organizations (Strawberry Growers, Blueberry Producers, Greenhouse Producers, Sheep Producers, etc.) as well as individual farmers. It could be overseen by a Board of Directors consisting of government and industry representatives. The Bureau should not be located within any government department or building and it should not be run as a government agency: it should be independent from government and from any one industry group — including the Federation of Agriculture. However, the Bureau could be set up in the same building as the Federation of Agriculture's office and both agencies devise an arrangement whereby they share facilities, administration costs and support services. The Bureau would establish and maintain strong links with the Federation, all appropriate government departments and agrifoods industry boards and organizations. Over time the Bureau would develop as a central clearing house for all agricultural marketing information even to the point of providing basic data and services to the Agriculture Branch as well as industry. The provision of this kind of service would allow the Bureau to become financially independent from government and industry.

The Bureau's principal function would be to collect, organize and disseminate local agricultural production and marketing information. The main vehicles for information dissemination would be the telephone and answering machines with recorded messages. Other forms of information dissemination might include the newspapers, radio and television; pamphlets and brochures; and, through regular contact with governments, commodity boards, industry associations, the food trades, consumers groups and the general public. Information collection could be organized in a similar manner, but marketing information (such as commodity prices) should be relayed to the Bureau from appropriate agencies regularly through the mail, fax machines and a computer information and communications system.

The Bureau would essentially be a service agency and the only major stipulation would be that it should deal exclusively with local agricultural production. It would not assist agents in this province who are selling imported products, such as apples from Nova Scotia or Ontario peaches, even if these agents were local farmers. The Bureau would service producers and their associations by relaying to them information about product marketing. It could also service industry's needs by fostering promotions and advertising. Producer groups, commodity boards and associations wishing to advertise in the newspaper, for example, could call on the Bureau for assistance. The Bureau would have standardized formats for the mode of advertising required and it could undertake to organize the advertisements and make the arrangements based on clients' information and requirements. The clients, of course, would pay the cost of the advertising, but the actual service would be provided free of charge.

The Bureau would keep key industry groups and the food distribution trades up to date with vital information relevant to their operations, including government policy and programs. It

would be expected to serve regularly as a go-between for producers with wholesalers, retailers and other food industries to obtain information for those producers, provide information about the producers and their products, and promote the sector in general. There is no reason why the Bureau could not provide assistance and service to producers and producers' groups involved with negotiating sales contracts with purchasers. It would be expected that the Bureau provide producers who were interested in seeking purchasers for their products with relevant information about potential buyers, and information on out-of-province markets could be obtained regularly by the Bureau. Linked to this, the Bureau would maintain regular contact with external sources of supply in order to monitor product availability and prices for food distribution firms which ship products into this province.

The Bureau would also service consumers by providing information on the availability, location and prices of agricultural products as they become available across the province. This service would be oriented towards enterprises engaged in direct consumer sales whether this be on-farm or at specialized outlets. Before and during the strawberry season, for example, information about U-Pick farms could be made available to the Bureau by the operators. This information could then be passed on to members of the public through recorded telephone messages. The information provided, for the cost of a telephone call, could include when a particular operation will commence sales, its location, the types of products available and prices charged. This service could provide information on all other fruits, vegetables and meat products, including information about turkeys just before Thanksgiving and Christmas, lamb prior to Easter and commodities available at farmers' markets in major centres. Producers who sell directly to the public would probably find that, for a nominal fee, sales would have the potential to increase significantly as the result of greater consumer awareness from information disseminated by the Bureau. The public would probably avail of these services because they would pinpoint where commodities could be purchased and under what circumstances.

The Task Force therefore recommends that

147. governments and industry jointly establish a Farm Organization Services Bureau to provide a full range of basic and specialized marketing services to all agricultural industries, the food distribution and service trades and the general public; and
148. the Agriculture Branch and the proposed Farm Organization Services Bureau develop and maintain a close working relationship in their day-to-day activities. Branch representation on the Bureau's overseeing Board should be drawn from marketing staff.

Chapter 10:

Capitalizing on Linkages

In evaluating the benefits of agrifoods development, there is a need to look beyond the farm gate, beyond satisfying only local demands for food products and beyond treating agriculture in isolation from other industries. This point was emphasized by the Royal Commission on Employment and Unemployment which suggested that exploiting the linkages between agrifoods and other industrial sectors would yield beneficial economic results for the province. It proposed the development of an industry based on animal products which would serve the livestock, fishing, sealing and tourism industries and advanced the position that agricultural export opportunities and further processing should be explored and encouraged.

The Commission's strategy for the agrifoods sector has not been advanced at all. An on-going debate over the viability of its proposals and fiscal constraints affecting governments ability to fund new development initiatives have impeded the promotion and speedy introduction of the broad-based agrifood development strategy envisaged by the Commission. Furthermore, sceptics have argued that the linkages between agriculture and other industries were too weak and undeveloped to provide economic opportunity; that local producers could barely compete, let alone develop markets outside of the province; and that locally produced commodities could not be processed cost-effectively.

The Task Force expresses regret that government has not explored some of the opportunities for agrifoods development identified by the Royal Commission. Although the sceptics' argument has some validity, such a defeatist approach to economic policy development would have left Canada a nation of hewers of wood and drawers of water and Newfoundland and Labrador would be limited to an economy centred on an inshore fishery.

There is an infinite number of other opportunities for expanding the local agrifoods product base which may be realized by pursuing a strategy oriented towards three objectives: capitalizing on linkages, export market development and further processing. It is essential that government's sights be set towards attaining long-term goals for any industrial activity through strategies aimed at diversifying and expanding the province's industrial base. Therefore, capitalizing on linkages which offer economic opportunities, developing potential export markets for local food products and encouraging further processing of locally produced commodities should be an integral part of government's agrifoods policy. The fact that there are good examples of certain agrifoods industries already pursuing these objectives with a high degree of success illustrates that these goals are not fanciful or unrealistic: the production of feed for the fur industry using fish wastes

(linkage development), local breaded chicken products selling in the Maritimes or blueberries sold in Western Europe (export markets) and the wide range of sausages, puddings, smoked hams and other consumer-ready meats produced by large and small meat-processing plants in the province (further processing) all attest to this.

The Concept of Linkages

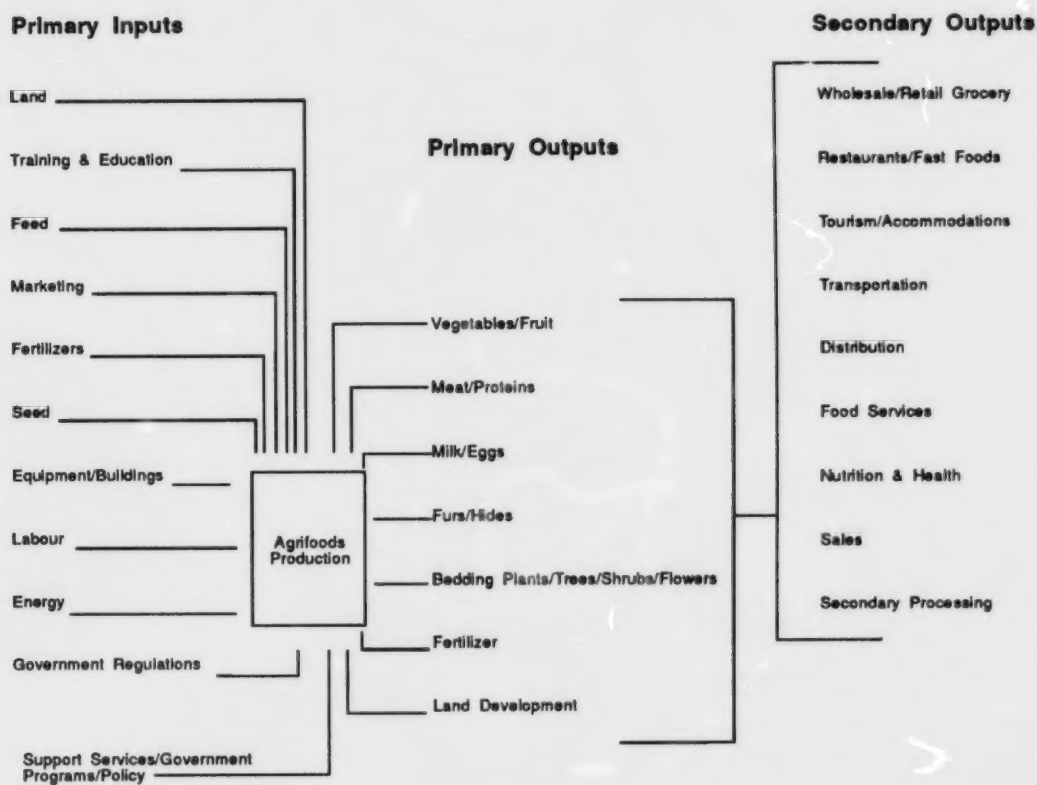
Using existing linkages with other industries and creating new linkages must be a principal objective in a provincial policy and strategy for developing the agrifoods sector. Elsewhere in this report, it has been suggested that agrifoods programming must flow from a clear policy with a distinct development orientation. This requires the agrifoods policy to be integrated with existing resource industry policies. Government has been investigating the concept of integrated resource planning across all resource sectors for many years. As this initiative gains acceptability, it is timely that agrifoods activities and objectives be integrated into the planning process.

One component of integrated resource planning, land use, has occupied the attention of government's Interdepartmental Land Use Committee for several years. While the work of this group may be better described as conflict resolution rather than planning, the important point is that these planning processes provide explicit recognition of the linkages between and among resource sectors at the policy level. These policy linkages provide a firm base for the investigation and development of economic opportunities based on inter- and intra-industry linkages. Within the context of the principles of viability and competitiveness, a holistic approach to agrifoods development is advocated. This is not a new approach, but perhaps it has not been used to the best effect. The approach involves developing the agrifoods sector by focusing on the linkages between and among the various agrifoods industries. Some of these linkages are shown in Figure 10.1.

Agriculture in Newfoundland and Labrador evolved primarily as an adjunct to the fishery. The fishery, wildlife utilization and woods activities (building material and fuel wood) became closely linked with agriculture to the extent that regional economies were built on the strength of the linkages between resource activities. These linkages were weakened following Confederation and agriculture became increasingly marginalized and separated from those other resource endeavours. Nevertheless, agriculture gained its place in the history and tradition of rural Newfoundland and Labrador because of the importance of linkage development with other activities. This should be a lesson for the future.

Some of agriculture's historic linkages with other resources remain even today, albeit in different form and context. The Task Force does not advocate turning back the clock and recreating subsistence economies in rural areas in order to promote agricultural linkages, but it does suggest identifying where linkages with other resources exist and evaluating their potential for development. A developmental approach such as this serves two useful purposes. It aids in developing a better perspective of the overall potential of agrifoods as a sector and provides an appropriate context for integrated resource planning. In many respects, this is a first step toward expanding the scope of the development of the sector, and away from an objective that implies merely producing more of what we have.

Figure 10.1
Backward and Forward Linkages
to Agrifoods



Source: Task Force on Agrifoods

The viability of an industry depends to some extent on the nature of inputs and their cost, or what are called backward linkages. Capturing backward linkages means gaining control of the inputs to agrifoods (see Figure 10.1). Controlling the inputs to an industry allows for even greater control of the industry itself as well as accruing economic benefits from providing the inputs. Similarly, industry outputs, or forward linkages, reflect the degree of diversity in the industry once primary commodities have been produced. As evidenced by Figure 10.1, capturing these outputs provides a measure of control over the diversity of products which are ultimately offered to consumers. Primary products increase in value as they pass through various stages of processing. Therefore, capturing forward linkages allows for the value added to the primary product to be realized by the producer.

Capitalizing on backward and forward linkages is common in the private sector. Manufacturing operations, for example will often control the supply of their raw materials, energy, consumables and services (backward linkages) as well as controlling secondary manufacturing, distribution, wholesaling and retailing activities (forward linkages). Large integrated fish companies, such as Fishery Products International and National Sea Products employ such a strategy in their industry; they control all components of their operations from the trawlers that harvest fish to retail outlets which sell fish products to consumers.

In the agrifoods sector, the dairy industry requires supplies of forage and feed – the raw materials from which cows produce milk. Currently, the province imports about 20% of its forage requirements, and overall feed costs are approximately 40% higher than in Nova Scotia. Increasing the proportion of forage and feed produced locally for the dairy industry would not only lessen producers' dependence on expensive imported feeds and reduce input costs, but would also allow newly developed land to be opened up for other agricultural purposes. The provision of feed and forage is a backward linkage that could be captured by expanding the land base devoted to forage and grain production. This could become a small industry in its own right, as illustrated by a handful of quite successful farm enterprises in the province which specialize in providing forages and feed to the livestock industries.

Forward linkages in the dairy industry are developed using the outputs of dairy farms as inputs to another process (primarily the production of fluid milk, chocolate milk, cheeses, yoghurts and other products made from raw milk), and the transportation, wholesaling and retailing functions serving consumers. Capturing forward linkages in the dairy industry involves, for example, primary and secondary processing and carries with it obvious value-added benefits to the producer and processor. At this point it must be stressed that the Task Force is not focusing on ownership when advocating that agricultural industry linkages be captured. Whether backward and forward linkages are captured by any one producer or processor, rather than by numerous competing producers and processors, may be irrelevant at this stage. The ultimate objective is developing potential linkages in the province to further the objectives of the sector.

If the province is to have meaningful control of agrifoods development, it must also be concerned with industry integration using the linkages which exist between industry classes. This involves the familiar concepts of horizontal and vertical integration. Horizontal integration involves the concentration of industries within the same class. To continue the dairy example,

horizontal integration would involve concentrated ownership of dairy producing operations. Such a situation could allow for improved economies of scale, internal cross-subsidization and a variety of other potential benefits from owning several operations performing the same basic activities. Vertical integration involves greater concentration of the linkages associated with any one class of industry. Thus, in the dairy industry, vertical integration involves a concentration of ownership of industry components from the feed companies, through producers to the dairies and retail outlets.

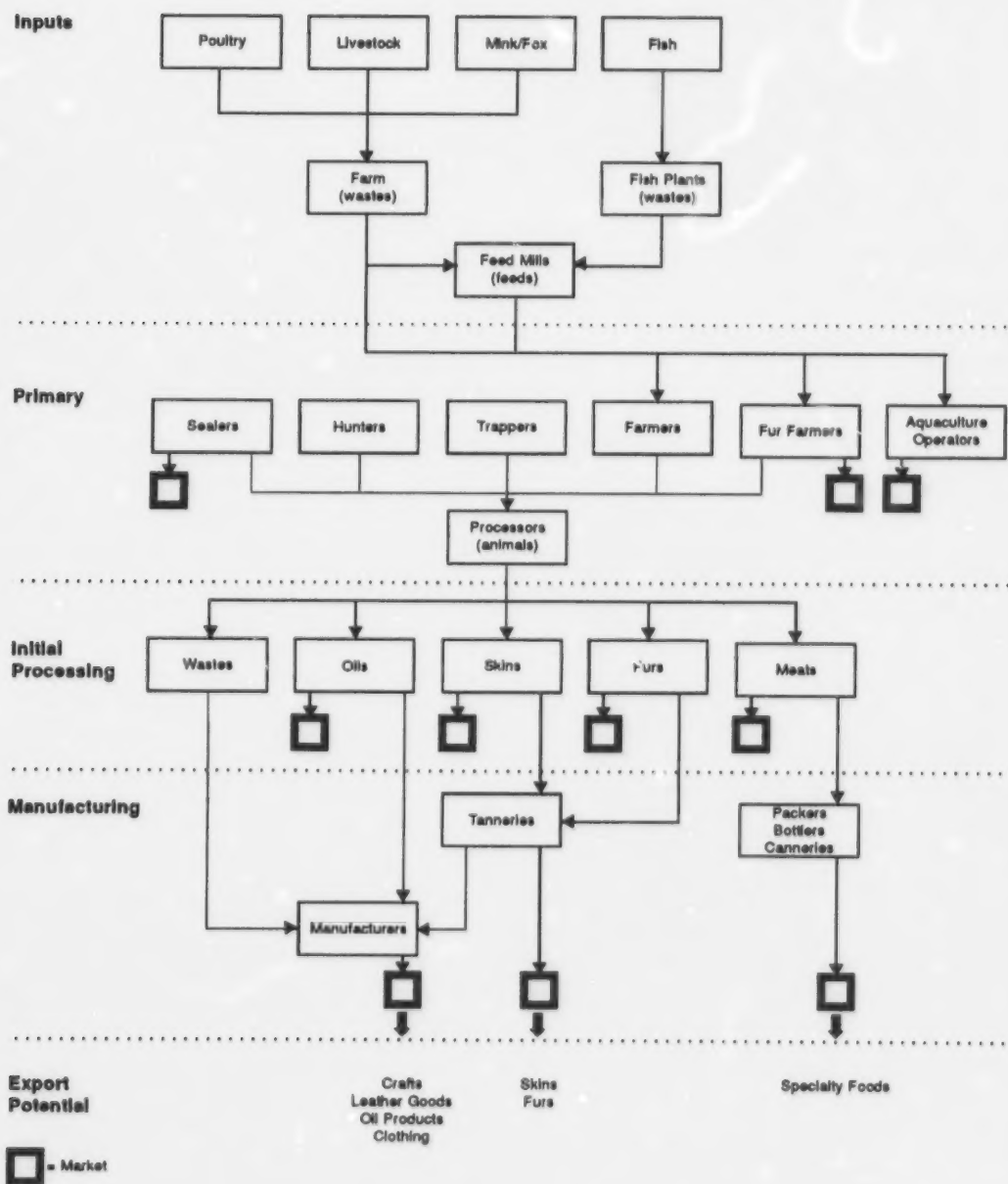
As a side point, vertical integration from basic input all the way through to the retail and service sector is generally not characteristic of Canadian agriculture. In Canada, the emphasis has been on the family farm, and concentration of ownership, high levels of industry integration, and the evolution of what is termed *agribusiness* has been largely absent. In the United States, on the other hand, high levels of horizontal and vertical industry integration are more common. Broiler operations in the Southern United States, for example, control grain production, feed companies, breeder farms and distribution systems. This type of operation has proven to be very efficient, but it is not consistent with the policy and economic development objectives for Canadian agriculture.

The Task Force is aware of the potential dangers inherent in promoting horizontal and vertical integration for the agrifoods sector in Newfoundland and Labrador. A feed company gaining control of a livestock industry by purchasing farms and processing plants could well be problematic, particularly if the controlling interest is held by an out-of-province corporation with few ties to local industry. On the other hand, dairy producers owning and operating a processing plant or vegetable producers establishing a co-operative which handles produce from harvest to retail are positive examples of both horizontal and vertical integration in the industry. Moreover, as long as feasibility investigations of these linkages are guided by considerations of viability and competitiveness, appropriate development will proceed.

These linkages exist not only within specific components of the agrifoods industry, such as the dairy industry, but also between and across resource sectors. Thus agrifoods development must involve certain elements of the fishery, including sealing and aquaculture, wildlife resources, the tourism, accommodation and food service industries, and in a broader context, regional development and overall economic diversification. As noted earlier the Royal Commission on Employment and Unemployment identified significant opportunities for the development of an animal products industry linking agrifoods, agriculture, the fishery, aquaculture, the sealing industry and wildlife resources to form an integrated industry, which would make use of a wide range of products for local consumption and export. The components of this industry and the processes involved are indicated in Figure 10.2 reproduced from the Commission's report. From this broad concept the Commission also outlined a number of component industries, including a feed industry, shown in schematic form in Figure 10.3.

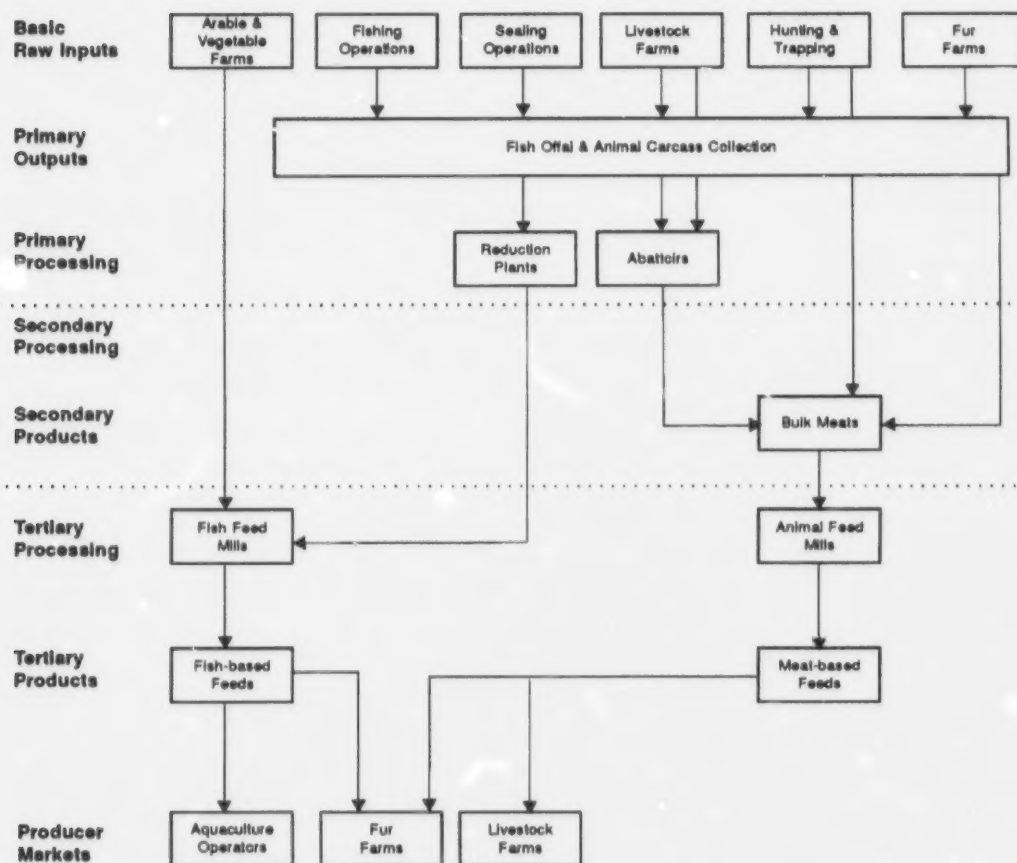
In Figure 10.2, the integration of several agrifoods component industries ties in feeds (backward linkage) and products (forward linkage), through to what may be termed secondary forward linkages or specialty goods. Figure 10.3 provides an indication of the linkages and opportunities for integration of a feeds industry using a number of resource sectors. In both cases,

Figure 10.2
Schematic Outline of an Integrated
Animal Products Industry



Source: Royal Commission on Employment and Unemployment

Figure 10.3
Schematic Outline of a Developed Feeds Component of an Integrated Animal Products Industry



Source: Royal Commission on Employment and Unemployment

the diagrams show vertical integration (top to bottom) and horizontal integration (across the page).

These matters are raised again for several reasons. As with the concept of *agrifoods* or the *food industries*, it appears that little has been done in the four years since the Commission reported to advance the development of an integrated animal products industry. The Task Force supports the Commission's assertion that government must investigate, establish and develop such an industry. The Commission also advocated feasibility studies of the proposed animal products industry to identify volumes of input available and appropriate sites for locating such an industry and preparing an integrated development plan. The Economic Recovery Commission would appear to be a logical agency to pursue this initiative further.

The proposal for an integrated animal products industry provides an excellent example of the types of linkages within the agrifoods sector which might be captured to contribute to both economic development and economic diversification. However, the initiatives should include not only industry linkages, but greater integration at the policy and planning level as well. In fact, an integrated policy and comprehensive planning process must first be established so that all industrial linkages associated with agrifoods can be identified.

Self-Sufficiency and Export Orientation

Agriculture in Newfoundland and Labrador has been oriented principally towards satisfying local demands for food and other products. From the earliest beginnings of agriculture as a subsistence activity to Confederation in 1949, agricultural foods were produced for local consumption, although commercial agriculture did see vegetables, for example, being transported long distances by rail from the West Coast to the urban centres in Central and Eastern Newfoundland. After Confederation, some effort was made through public policy to develop industries which could penetrate export markets: the hog industry in the 1970s exported limited numbers of animals to other provinces, the fur industry is almost exclusively oriented towards other Canadian and foreign markets and blueberries are sold in Western Europe. With the exception of the fur and blueberry industry, some processed foods which are sold in specialized markets on the mainland and animal by-products exported for further processing, agriculture is still focused on the domestic markets.

The major policy objective for agriculture's domestic market orientation has been to increase local agriculture's share of specific product markets through import substitution. This entails determining the volumes of agricultural products consumed in this province annually and targeting local production to capture an increasingly higher share of those market demands. Local production, then, is geared towards displacing products imported to the province to the point that the industry ultimately supplies all of the province's requirements. The introduction of supply management in the dairy industry came about in the early 1980s for a variety of reasons, but one objective was to increase local producers' market share for fluid milk. Similarly, the egg industry has measured its success by the degree to which local producers satisfy provincial demands for fresh eggs each year. Both of these industries almost satisfy the total annual demand for milk and

eggs in the province; that is, Newfoundland and Labrador is virtually self-sufficient in fluid milk and eggs.

In the other basic food commodities, the province is nowhere near self-sufficiency; broiler operators argue that they can increase their production (if the Newfoundland Farm Products had a larger processing capacity) to raise the local industry's share of the chicken market above its current level of about 45%; hog production has declined over the decade and the industry satisfies less than 15% of local demand; the province supplies less than 10% of the vegetables, lamb, turkeys and beef consumed each year.

All of these industries actively promote themselves on the basis that they can produce high-quality food commodities at prices competitive with imported foods and, therefore, can capture a share of the market. The livestock industries which do not use federally inspected abattoirs are seriously constrained in penetrating the formal retail and commercial food markets because their meats are not inspected. They are also restricted from exporting products from the province for the same reason. Similarly, exporting horticultural products to the mainland is constrained by the plant quarantine requirements.

There is nothing wrong with producing local foods which compete with out-of-province products, thereby increasing the province's share of its own domestic markets. Ensuring provincial food security in at least the basic commodities benefits consumers as well as producers as it allows for a degree of control to be exercised locally over supply, quality and price. Self-sufficiency in the dairy and egg industries means that consumers do not have to worry about milk and egg shortages in the stores if, for instance, the Gulf ferry should be inoperative because of bad weather; cartons of milk are rarely returned to the retailer because the milk has gone sour before the due date; eggs sold in stores are almost always fresh, even in the most remote parts of the province. Similarly, fresh local chicken and pork sells well since consumers are guaranteed that the products are only a couple of days out of the plant and, therefore, they are fresh. Consumers are increasingly purchasing whole lambs directly from farmers because they know the animals were slaughtered only a day or so previously, compared to the frozen New Zealand lamb products which have been in transit for weeks, if not months.

In the processed foods area, import substitution has also allowed entrepreneurs to generate new product lines. There are several processors now preparing consumer-ready foods, ranging from pickles and jams to packages of stir-fried vegetables and potato products, which have captured a share of the local market previously held by mainland suppliers. The opportunities for further import substitution are limitless as most of the prepared foods using raw materials produced locally are still supplied through imports.

The difficulty with following an import substitution strategy with the sole objective of becoming self-sufficient in any particular commodity is that it can be restrictive once the ultimate goal is finally reached. Once imports have been substituted to the point that the province is self-sufficient, there is no further room for industry growth, and it will take time to develop markets outside of the province. This is the dilemma of the province's egg industry. The industry has not only attained virtual self-sufficiency, but per capita consumption is declining annually, largely because of consumers' concerns over the cholesterol contained in eggs. As a result, egg producers

are bracing themselves for a dramatic drop in production in the coming years as they cannot export eggs out of the province and there is no facility or established market for processing eggs. It can be argued that if the industry had not pursued a strategy geared solely towards self-sufficiency, it could have focused efforts towards the long-term development of processing facilities and markets for processed egg products. It is conceivable that today, the egg industry would be satisfying close to the total provincial demand for fresh eggs, but also have a processing outlet to allow producers to develop even further.

The dairy industry will soon find itself in a similar situation. The rapid increase in local fluid milk production over the last seven years has occurred because supply management has allowed local dairy farmers to capture market share from producers in other provinces. Now that the province is virtually self-sufficient in fluid milk, the industry is relying on increased per capita consumption of milk over the next few years to provide them with growth opportunities. As outlined in the previous discussion of the dairy industry, initiatives such as the school milk program will lead to an increase in demand for fluid milk which in turn will raise producers' levels of production. The problem is, what if consumption does not continue to rise or, more importantly, what happens when even this increased demand is satisfied by the industry? Dairy farmers will find themselves in the same situation as egg producers: no room for future expansion. This suggests that now is the time for the local dairy industry to look beyond self-sufficiency to explore opportunities for producing industrial milk products – all of which are either imported or use reconstituted milk in the manufacturing process.

It might be several years before dairy farmers could reasonably expect to sell their milk as "industrial milk" or before they (or the established dairies) are in a position to compete in the processed dairy product market. However, the single-minded adherence to the self-sufficiency strategy may very well come back to haunt the dairy industry in years to come unless opportunities for diversification are explored now. In this regard, the Task Force has already expressed its disappointment at the decision of the Milk Marketing Board to pull out of the arrangement with the dairies to accept a lower price for milk used in the manufacture of chocolate milk. This was the first small step towards diversifying the industry and exploring an industrial milk strategy, and producers rejected it.

The need for planning, to look beyond self-sufficiency, can also be applied to the strawberry industry. Currently, the market for fresh strawberries, particularly through the "U-Pick" type of operation, is close to saturation and growers are beginning to look for export opportunities and other ways to deal with excess supply. Until recently, it would have been difficult to find anyone in the province who would have thought that high-quality strawberries could be produced in this province in such quantities. During the rapid growth of the industry in the 1980s, the necessary planning, feasibility studies and market development for secondary processing and export was not undertaken. As a result, the strawberry industry now runs the risk of experiencing a period of stagnation while government and industry consider opportunities beyond self-sufficiency.

There is no reason why a strategy for industry development cannot be oriented towards export markets and import substitution simultaneously. In some cases, it may be preferable to focus on export markets and accept a lower rate of local market-share capture. The hog industry

might not be in its current slump today if government policy and industry objectives in the late 1970s and 1980s had not been oriented exclusively towards promoting pork products for local consumption. The extensive work performed to develop SPF hog herds never appeared to refer to export opportunities for the breeding stock or the expertise arising from this work – opportunities which should be explored now. The Task Force makes a distinction between self-sufficiency as a major policy objective and self-sufficiency as a goal to be achieved within the context of an integrated plan for agrifoods development. Self-sufficiency should occur as the natural result of the growth and development of an industry and not be the primary policy objective.

It is recognized that there are cost and market price limitations on producers' abilities to export certain agricultural products. It is not suggested that all industries should develop sophisticated export strategies. What is being proposed is that the industry should not be afraid to explore all possibilities for growth and development, including export opportunities, merely because of a commonly held view that products from Newfoundland and Labrador are not competitive outside of the province or that import substitution is the only road to follow. Local producers will probably never be able to penetrate mainland markets for potatoes, beef or dairy products to any significant degree because of the lower costs of production in other provinces and the high transportation costs in shipping products to these markets. However, specialized niche markets can be developed for local agricultural products (notwithstanding inspection and export restrictions), and in commodities that might surprise many people.

Processed meat products are already being sold on the mainland and there is considerable room for further expansion in specialized chicken products. Hydroponically grown cucumbers from Newfoundland (with a no-pesticide, no-herbicide label) were once offered in Central Canadian retail stores and outdoor markets. Fresh local fruits, like strawberries and blueberries, come onto the market later than in other provinces and they are reported to be sweeter in taste than other provinces' fruits. Partridgeberries and bakeapples have a wide appeal in other provinces, although virtually none of these fruits are exported. West Coast farmers often have better access to the Maritimes than to the East Coast and, if promoted properly, opportunities for establishing niche markets for root crops and berries can be pursued. The Task Force was told by several producers that, unlikely though it seems, they would be able to develop markets in the Maritimes for Newfoundland blue potatoes, lamb, turkey and veal if it were not for various export restrictions. Therefore the development of an export orientation should be adopted as a major policy objective for the agrifoods sector. Self-sufficiency, together with import substitution, is a worthwhile goal, but it should be seen as only an expedient in the process of development.

Comparative Advantage and Diversifying Agrifoods

The province's resource policy has been based, at least in part, on the principle of "comparative advantage". As the term implies, this approach is one whereby development is based on the determined or perceived advantages inherent in one of the following factors: resource availability, the nature of the resources, labour force and marketing strengths, proximity to markets or some other feature that would provide the province with an advantage over its

competitors. In Newfoundland and Labrador, advantages, or at least parity with competing industries and resource sectors, supposedly exist in the fisheries, the forest industry, hydro-electric power and mining. These sectors have evolved as the foundation of the provincial economy to the point where the economy in Newfoundland and Labrador is described as resource-based (or primary resource-based); secondary activities associated with these resource sectors are limited. It would appear that the province's agriculture industries hold few advantages over the industries of other provinces: its soils are poor, the land base for agriculture is limited and the climate presents special challenges to farmers. This suggests that the public funds would be better spent in other resource areas where comparative advantages exist.

One of the difficulties with the principle of comparative advantage, however, is that it is passive to the extent that it focuses only on conditions as they exist at any one point in time. It assumes that comparative advantages must somehow be inherent in the landscape. However, the lack of raw materials need not be a problem if they can be imported to produce items which can ultimately compete in the marketplace and benefit the economy. Unskilled workers can be trained and educated to become skilled workers and co-operation between governments and industry can foster an environment conducive to development. Commitment, a clearly defined policy, sound planning and an emphasis on efficiency and viability can contribute to the development of a competitive edge and overcome any inherent lack of comparative advantage. The automobile and electronic industries in Japan are classic examples. Unless it is recognized that comparative advantages for the agrifoods sector can be created in Newfoundland and Labrador, the principle will be used to rationalize or justify doing nothing. In this province, co-ordinating the efforts of governments and industry can create comparative advantages through careful manipulation of the factors of production, skilful marketing, training and the use of existing agrifoods resources. Capitalizing on linkages within the agrifoods sector and between agrifoods and other resource sectors may be a key element in developing comparative advantages for many commodities, but so too are opportunities for expanding the agricultural product base and exploring further processing activities.

Such a development strategy faces a number of constraints. The small size of the local market is a substantial obstacle to further processing and competition, and results in shortages of venture capital and a lack of local expertise in many areas. Many of these constraints apply as well to the development of export markets, but in addition, the local industry must deal with plant quarantine restrictions and a general unfamiliarity with external markets. These difficulties are not insurmountable, though they do present some significant challenges.

While noting the limitations of the comparative advantage concept, it should be recognized that Newfoundland and Labrador producers enjoy some comparative advantages over their competitors in other provinces. For example, many local horticultural commodities are reported to have a better taste and superior eating quality than competitors' products and the province has the only minimal disease hog herds in North America. The relative cleanliness of the air, soil and water, open ranges for sheep and beef and the limited use of agricultural chemicals all provide opportunities to market products outside of Newfoundland and Labrador to consumers increasingly concerned with lifestyle issues. In addition, confinement agriculture operations do

not require a large land base, and soil fertility and weather are not important factors, although relying on imported feed grains for livestock and poultry is an impediment.

The Task Force has identified a number of opportunities for diversifying the agrifoods industries of this province by

- capitalizing on linkages;
- identifying export opportunities and import substitution; and
- by diversifying the sector through expanding the product base or through further processing.

Agencies, such as the Economic Recovery Commission and the Department of Development, together with industry organizations, should take the lead to explore such opportunities further. In particular, the required feasibility studies must be undertaken to assess fully the economic benefits which the Task Force suggests may be derived from any or all of the opportunities described in this chapter.

The Task Force therefore recommends that

149. the approach for promoting growth and development in the agrifoods sector be based on capitalizing on linkages within agrifoods and with other industries, identifying export and import substitution opportunities and diversifying the product base through further processing.

Linkage and Regional Development

In many parts of Canada, agriculture represents more than the production of food or related commodities; it is an integral part of the landscape. Farms and farmlands, the presence of livestock, fields full of crops and the imposing nature of such agriculture facilities as grain elevators and stockyards contribute to and help fashion the rural lifestyle found in those regions. They can also add to the recreational and tourist appeal of some areas to the extent that places like Prince Edward Island generate significant tourism revenues from their agricultural landscape. There is a high degree of complementarity between agriculture and rural lifestyles which is fundamentally sociological and psychological in nature; both are based on an ethic of environmental preservation and this is attractive to a high proportion of the nation's populace which is overwhelmingly urban in character.

A dominant theme underlying tourism marketing in Newfoundland and Labrador is the rural and wilderness nature of the province. While water, rather than land, is the principal attraction, the isolated, barren and unique landscape of this province draws tourists from all over the world. Few tourists would ever think of visiting Newfoundland and Labrador for an experience focusing on agriculture any more than residents of the province would consider spending their long weekends or summer holidays in this way. Yet, there are numerous benefits to be gained from capitalizing on the linkages between agriculture and tourism or developing linkages that do not currently exist. For example, opportunities to tour farms, interact with farm animals and to participate in a variety of on-farm activities do exist, if promoted properly. Farm homes in many

parts of the province could be promoted as a unique tourist experience, especially if they are located in areas which also have a fishing tradition. When the Task Force met various agricultural groups in the Lethbridge-Musgravetown area, meetings were held at a "farm vacation home". This particular home caters to guests year-round and attracts tourists from other parts of Canada and the United States — visitors who often return year after year.

Tourism marketing is based to a large extent on the historical and cultural development of the province and highlights the close relationship of Newfoundlanders and Labradorians to the land and the sea. This relationship contributes to the province's natural heritage and is appealing to domestic and foreign tourists. Provincial public policy caters to this tradition in a variety of ways, including the development and maintenance of provincial parks and national historic sites, locating museums in small communities as well as the urban centres and through cultural and artistic events, such as folk festivals and community gatherings. Capitalizing on agriculture's contribution to the history and culture of Newfoundland and Labrador communities could provide benefits for the agrifoods sector and for the tourism industry; some of these linkages are already being developed with considerable success. The annual Strawberry Festival in the Humber Valley, the Bakeapple Festival on the Labrador Straits and the Blueberry Festival in Brigus, for example, do more than promote the fruit industries: organizers build these festivals around the history, culture and musical traditions of these areas. In 1990, the Lethbridge-Musgravetown Agricultural Fair attracted several thousand visitors to the area in one day, many of them from St. John's and other parts of the Avalon Peninsula.

The agriculture-tourism link may be best exploited through the promotion of local food products in the tourism, accommodations and food service industries. To a significant extent, local foods are promoted in tourist establishments and restaurants by organizations such as Hospitality Newfoundland and Labrador, but the emphasis in the past has been primarily on fish and seafood products. Many of the small restaurants along the Trans-Canada Highway, are well-known by travellers and local residents alike for their local specialties. Anyone travelling the highway regularly can usually advise where to stop for a particularly tasty meal of fish and chips, pea soup or halibut steak. Once again, it is usually the fish dishes rather than the meat, vegetables or fruit dishes which provide these restaurants with their claim to fame. As a promotional tool, the local flavour of all foods, fish and products from farms, should be marketed extensively in tourism campaigns oriented towards the hotel, restaurant and bed-and-breakfast trades.

These kinds of linkages need to be developed and exploited to a much greater extent. This may be accomplished through the tourism marketing efforts of the Department of Development and groups like Hospitality Newfoundland and Labrador, the food service and accommodations trades and through joint venture arrangements between producer organizations and local tourism establishments across the province. The benefits of this type of approach are potentially lucrative and would be based substantially on mutual support, co-operation and planning among governments, industry and consumers. Residents of the Bonavista Peninsula told the Task Force that the Lethbridge-Musgravetown area is a principal dairy region in the province and local farms grow strawberries and other small fruits; the Peninsula attracts thousands of tourists each year to places like Trinity and Bonavista. Yet, milk and dairy products from local farms cannot be purchased on the Peninsula and none are available for the tourist trade. It was suggested that

tourists would be attracted to strawberry and fresh cream teas or other such local delights if the products from local farms could be used to service the tourist trade. A small, but lucrative tourist-oriented industry could be developed in areas like the Bonavista Peninsula if local producers, tourism facility operators and development associations were to co-ordinate their activities.

In all tourist establishments across the province which are located in agricultural districts, similar linkages could be developed. Even the major hotels in large towns and cities should be encouraged to promote the fresh and nutritious foods produced on the province's farms. The Task Force was impressed that a particular development agency on the West Coast prepared a banquet menu in which all courses comprised local food products. Moreover, the menu promoted the fact that all foods were locally produced. It is suggested that the pristine nature of the landscape of this province and the cleanliness of water and soil resources could also be used to promote Newfoundland and Labrador products, not only to tourists, but also to increasingly health-conscious consumers at home.

There has to be a radical shift in how agricultural initiatives are viewed by government agencies charged with promoting regional development. Agriculture has to shed its image of offering short-term employment opportunities in largely subsistence and income-supplementing activities and gain acceptance as an economic sector in which meaningful, long-term and profitable enterprises can be created. Regional Development Associations (RDAs) have been active in promoting agricultural activities across the province for many years. Yet, there has been a tendency within the RDA movement to initiate agricultural projects without due consideration to long-term viability or other basic business principles. Community greenhouses have been built, only to go out of business within a short time; lands have been cleared for vegetable production without regard to the cost of production or the markets for produce; slaughterhouses have been constructed in inappropriate locations. The reasons for this may be related to the role RDAs are forced to play in the area of short-term job creation and the tendency to see agriculture as an appropriate sector for those kinds of projects. Although, in general, the Task Force did not get a good impression of many RDAs' sense of agricultural business planning, there is absolutely no question about the dedication and sincerity of the people who devote their time to RDA activities, and the Task Force was indeed impressed by many specific RDA agricultural initiatives, such as the St. Mary's forage project and the greenhouse project of the Bay St. George South RDA, located at Lock Leven. The Task force encourages this type of initiative and development in rural Newfoundland and Labrador.

In recent years, the federal government has introduced the Community Futures Program which has many of the same development objectives as the program which supports RDAs. However, the federally-funded community futures committees (CFCs) have more resources at their disposal to plan initiatives, represent a much wider and diverse geographical area and are not saddled with the role of creating short-term jobs. Although CFCs and RDAs have different structures both seek out opportunities for economic expansion and employment generation. They should play more of a leading role in developing the linkages between agrifoods and regional development.

Agricultural organizations should also be vigilant in developing regional development opportunities. Usually these organizations are preoccupied in serving the needs of their members; funds, personnel and resources are often limited. However, a plan initiated this year by the Sheep Producers' Association to collect producers' fleeces for shipment to a woollen mill in New Brunswick provides a good example of what can be done from within the industry to capitalize on linkages. This plan is only in its formative stages and it did not appear to work well in 1990. It will take time for producers to organize their fleece collection in such a way that it is worth their while to send fleeces for processing. This initiative is unquestionably a step forward, considering that most fleeces are currently discarded. However, it is only the starting point in the development of a domestic woollen crafts industry, which also links directly into the tourism industry, for it may take several years to organize an effective collection and distribution system for sheep farmers and to integrate this with other associated activities.

It is at this point that both the sheep and crafts industries must regret that the Doyles woollen mill in the Codroy Valley went out of business in the 1980s. Established facilities for working with wool, existing craft skills in many communities and a strong sheep industry offer significant potential for promoting regional development activities based on the growth of sheep production, a renewed interest in the crafts industry and the promotion of tourism as a public policy objective of government. Because of this, government and the crafts industry are encouraged to study the feasibility of re-establishing a woollen mill in the province.

The Task Force therefore recommends that

150. the tourism branch of the provincial Department of Development in consultation with the Agriculture Branch and the Federation of Agriculture, investigate, develop and promote agriculture in tourism marketing; and
151. government promote agrifoods development in regional development programming and in cost-shared regional development programs with the federal government, by focusing on small enterprise development.

Diversification and the Fur Industry

The fur industry is an anomaly in the province's agrifoods sector. It is the only industry which has an almost exclusive export focus. The 123 active fur ranch farmers have promoted their products in international markets and achieved a high degree of professionalism and expertise. In the development of the fur industry, there are also several good examples of linkage development and further processing. Fur is a commodity which lends itself to capitalizing on both backward and forward linkages. Indeed, the benefits of capitalizing on linkages can be readily seen in the use of fish by-products for manufacturing animal feeds for the industry, the use of fur products in the local crafts and tourism industries and direct export marketing of "Newfoundland Silvers" fox furs.

A few years ago the Newfoundland and Labrador fur industry was hailed as a new economic development area in which producers held considerable advantages over those elsewhere. The province's furs are of high quality and feed from the fishery is plentiful. However, fur prices are

easily influenced by such international factors as oversupply, fashion trends, mild winters and pressures from anti-fur groups, and recently the industry was hit by a tremendous price drop from almost \$200 a pelt several years ago to \$35 in 1990. This latter price is lower than farmers' cost of production: a good silver fox pelt cannot be raised for less than \$50. The federal and provincial governments have provided more than \$350,000 in industry assistance since 1989 in an attempt to keep producers afloat until prices rise again.

The Task Force urges governments to continue their fur industry programs for at least another two years since prices are predicted to increase substantially by 1993. With more than \$2 million having been spent promoting the industry since 1988, it would be unfortunate if support were withdrawn just before the international price for pelts increases. There is, in fact, considerable potential for further growth in this industry if proper measures are taken to capitalize on the opportunities available: safety-net programs could be developed with funding from industry and governments to ensure an element of stability when certain furs drop in price; the diversification of species ranched would allow industry some flexibility to react to market changes by concentrating on more lucrative species when market prices are low for others; branching out to native species such as lynx, pine marten and fisher offer considerable potential, although this will require the full co-operation of the Wildlife Division of the Department of Environment and Lands.

It is important to determine whether or not Newfoundland lynx and Newfoundland pine marten are distinct sub-species so that research on these species can be accelerated before national or international competitors capitalize on these opportunities. The expertise in animal nutrition, physiology, engineering and management which exists at Memorial University should be utilized to initiate and carry out research on feeds utilizing local by-products, nutritional studies, artificial insemination, building and cage designs, and feeding and watering systems to improve production efficiencies and capitalize fully on the abundance of raw materials available in Newfoundland and Labrador. The Avalon Community College is delivering a course on fur ranching, but more effort is required to address on-farm training needs. For example, a demonstration farm would lend itself to both training and applied research and would be a logical location to introduce new technologies to the industry.

Further opportunities may be available in secondary processing of fur industry products and by-products which could lead to other employment opportunities particularly in rural areas of the province. As with most other industries in Newfoundland and Labrador, secondary processing of fur products takes place outside the province and all the related benefits end up elsewhere. To ensure the viability and competitiveness of the province's fur industry, both the industry and government must encourage the development of a manufacturing capability to create quality finished products, such as garments and fur crafts from locally produced pelts, which can be sold in domestic as well as export markets. A marketing study carried out on behalf of the Newfoundland Fur Breeders Association indicates that current promotion and advertising is inadequate to sell all Canadian pelts on the international market. A recent marketing project undertaken to market "Newfoundland Silvers" directly to manufacturers shows much promise, but requires further support, refinement and the co-operation of other Canadian producers and

the federal and provincial governments to become effective. Such long-term strategies must be aggressively pursued if the province's fur industry is to survive and grow to its potential.

There is no legislation within the provincial Agriculture Branch to regulate the fur industry. Export permits and fur farming licences are issued by the provincial Wildlife Division which regulates the trapping of fur bearers in the wild. Since both wild and ranched furs are utilized for the same or similar end products, regulations regarding both should be integrated as much as possible. Certainly fur-ranching permits should be issued by the Agriculture Branch which deals with all other agricultural commodities. Once a solid infrastructure has been developed, the fur industry in the province can grow to its potential and become an important economic and social factor in the overall development of the province's agrifoods industry. On-going initiatives led by the Economic Recovery Commission, in consultation with the province's fur producers, federal and provincial government officials, and other interests, should produce a new fur industry strategy for Newfoundland and Labrador.

The Task Force therefore recommends that

152. the Agriculture Branch work co-operatively with industry, the Wildlife Branch and the Economic Recovery Commission to evaluate and promote all opportunities for developing the fur industry to its fullest potential.

The Northern Foods Concept

The Task Force has avoided singling out Labrador, or indeed any other specific region, for special attention in this Report since proposals are intended to apply province-wide. However, there are unique linkages currently being developed in Labrador which highlight how innovative thought and careful planning can open up export opportunities in the area of agrifoods development. Labrador faces not only some unique constraints resulting from isolation and climate, but also opportunities for the development of the agrifoods industry because of the nature of its environment. The marketing advantages of the region's pristine environment which exist with respect to agrifoods commodities produced on the island portion of the province are equally, if not more applicable to agrifoods products produced in Labrador. In particular, wild game (caribou) and fish (trout, arctic char) from Labrador should be attractive commodities in rapidly expanding markets for these products.

More than one brief to the Task Force has mentioned opportunities for promoting special food products from Labrador in export markets. One of these briefs suggested that reindeer herding technology, as developed in Scandinavia, should be applicable to caribou. Gaining access to markets for these products and the successful export of wild meats and fish might allow the establishment of a two-way flow of commodities, with wild game products moving to Canadian, United States and European markets, while fresh fruits and vegetables would be returned to Labrador. This arrangement is currently being pursued. Products from the coast of Labrador are processed or packaged, particularly caribou meat at the federally inspected processing plant in Nain, and flown to Labrador City which acts as a trans-shipment point. A local supermarket provides cold storage facilities during trans-shipment and the return leg of the air trip to the coast is used to transport fresh food products. This process has been enhanced by the relatively new

road access into Labrador from Quebec and Central Canada. Such a transportation link opens up a new source of food supplies for Labrador and an outlet for exports by truck. As the highway is upgraded, this link between Labrador and Central Canada will increase in importance and will cause the region to shift its emphasis away from Newfoundland and the Maritimes towards Quebec and Ontario for supplies and for exports.

One of the perennial complaints of Labrador residents is the poor quality and high price of fruits and vegetables, most of which is imported. Briefs submitted to the Task Force indicate however, that small but significant quantities of potatoes, turnip, carrot, cabbage, broccoli and beets, as well as eggs and beef are successfully produced in the Lake Melville region. Local opinion is firm in the belief that these commodities and others, particularly fresh milk, can capture a greater share of the local market. The Task Force concurs in this assessment, except that the new road access mentioned above may remove any advantage in supplying local produce and food which the Lake Melville region has enjoyed because of its isolation. Local production of fresh produce should, nevertheless, be encouraged in the Lake Melville area. Furthermore, there should be a greater promotion of home gardens, particularly in the coastal communities of Labrador. Greenhouse starts for many vegetables may be the key in ensuring that production for local consumption is increased so that, high priced and often poor-quality imported vegetables are displaced. Opportunities clearly exist for cottage type industries in fur and leather products, linking wild meats with indigenous craft skills and the tourism industry.

The Task Force therefore recommends that

153. government fully support the concept of a Northern Foods system whereby indigenous products from Labrador are transported and marketed to the island and outside of the province and imported fresh foods are shipped to isolated communities.

Diversifying the Blueberry Industry

In the province blueberries with an annual total value ranging from \$1 to \$3 million are harvested and semi-processed in fish plants before being shipped to the mainland for processing and export to Western Europe. Under this system, provincial entrepreneurs receive little in the way of value-added profit and they have no control over the quality of the exported product, nor over the contracts under which blueberries are sold overseas. Newfoundland blueberries are the only variety in Eastern Canada which are not susceptible to the blueberry maggot and local growing conditions produce berries which are larger and sweeter than those of other provinces. However, once received by agents, they are mixed with mainland blueberries before export. Therefore, Newfoundland blueberry producers and processors cannot market the products to their full potential, and significant value-added profit is lost to out-of-province agents.

As a result of a recent decision by the Canadian Transport Commission, the many stop-over flights of foreign airlines at Gander International Airport now have permission to pick up and drop off passengers and freight. This deregulation could provide an opportunity for Newfoundland blueberry producers and processors to use these flights to market their fresh-frozen blueberries directly to overseas destinations. Such a marketing initiative should emphasize the

high quality of Newfoundland berries, particularly their maggot-free status. Blueberries may also be shipped fresh to a wide range of European, Canadian and American destinations. While this would mean little in the way of value-added profit, the fresh product would command premium prices, particularly as Newfoundland berries appear on the market after the season in Central Canada has ended and the product could arrive at its destination within a day of being picked. Alternatively, over time, producers and processors might be able to manufacture blueberry-based products for North American and overseas sales.

A number of problems must be overcome if this undertaking is to proceed. Blueberry producers and processors must co-operate with one another in the development of their industry. They must co-ordinate their marketing and promotional activities and employ the full range of skills in international negotiating. Direct contracts with European buyers, for example, would only be developed for volumes of about half a million kilograms or more at a time. Thus producers and processors must pool their resources. As several blueberry processors are also fish plant operators using excess freezing capacity to handle berries, some of this expertise and knowledge of export market channels already exists. The resources of governments should be available to assist blueberry growers to negotiate export contracts; this assistance need not necessarily be financial, but rather technical, promotional and advisory. For example, the province's involvement in international food shows in Europe and the United States could be used to promote the local blueberry industry and to ensure that growers' representatives are put in contact with foreign buyers. A lesson could be learnt from the fur producers who have developed considerable skills in capitalizing on foreign export market opportunities. With the co-operation of the industry, such direct exportation could generate employment, extend the blueberry season and develop a national and international reputation for the local blueberry industry.

This type of marketing arrangement for blueberries might also serve as a catalyst for other small fruit export development. Partridgeberries and bakeapples are in demand in Europe particularly since the Chernobyl disaster. As well, these fruits, along with strawberries, raspberries and gooseberries, could also be shipped to mainland Canada and the United States as fresh, fresh-frozen or processed products. If these projects prove feasible, they could result in additional employment and economic stability in several areas of the province.

Also in the area of local small fruit production, there might be some good opportunities for developing a small wine and liqueur industry in the province. Some preliminary work has already been performed by a local entrepreneur on the Avalon Peninsula who has successfully developed and produced a blueberry wine product using local berries. This wine has passed a variety of taste tests and regulatory standards (with minimal government assistance) and it is a potentially attractive item which could be marketed through liquor outlets in this province and elsewhere. The project is ready to move to the commercial stage, but this will require more extensive evaluation and assistance. This is the kind of project that could be developed at the Venture Centre at Pasadena, at least until the production problems have been overcome and the markets established. Should the blueberry wine prove economically feasible, it may also be possible to utilize bakeapples and partridgeberries in the production of wines and liqueurs, particularly in view of the proven market for Finnish cloudberry (bakeapple) and lingonberry (partridgeberry) liqueurs in Canada. If these wine products from Finland can be marketed in Canada on a

commercial scale there is no reason why a Newfoundland product cannot be successfully marketed throughout Canada and in key foreign markets. Considerable potential may also exist for tapping into a specialized tourist market for Newfoundland wines and liqueurs: tourists often take home bottles of Screech, Newman's Port and 100-proof London Dock rum.

Small-scale wine and liqueur production is only one aspect of this project, however. The particular entrepreneur who has developed the blueberry wine intends to promote the product by incorporating the winery into one of the old cottage hospitals which he would like to develop as a tourist attraction. This is a similar concept to one employed in many other parts of Canada and in Europe: the Grand Pré winery in the Annapolis Valley of Nova Scotia, for example, generates revenues and reputation from tourism as well as from wine sales, as do the monasteries and commercial vineyards of Europe.

The Task Force therefore recommends that

154. the Agriculture Branch, in conjunction with the blueberry industry, the Department of Development, agencies of the federal government and the Town of Gander fully explore the opportunities for generating and negotiating direct sales contracts with foreign buyers for shipments of Newfoundland blueberries; and
155. the Branch work with the Economic Recovery Commission and the Department of Development to examine the potential for diversifying the small fruits industry;

Opportunities for New Food Products

As agricultural public policy in Newfoundland and Labrador has largely concentrated on primary activities, the production of food products utilizing local raw materials has been somewhat neglected. Yet there are numerous small companies which produce a limited, but growing range of processed and semi-processed foods through the retail trades. Further processing opportunities exist in virtually all agricultural commodity areas, but particularly in the horticultural products industry.

Most vegetables and fruit grown in the province are distributed through direct sales or the retail trade as fresh produce. However, several companies process local vegetables and fruits into products like pickles, relishes, coleslaw, jams and preserves. Some of these companies are established food manufacturers processing a wide range of commercial foods which also produce several lines of local jams, jellies, preserves or pickles; others are small cottage industries which have developed a limited range and volume of products using local raw materials and which market these through specialty stores or through the delicatessen sections of the larger supermarkets; most of the larger wholesalers perform some basic processing on-site, although much of this involves semi-processing activities, such as sorting vegetables and fruits into consumer-ready packs or making products like coleslaw from cabbage. There are tremendous opportunities for expanding the range of processed products and also for serving all of the food trades: retail, commercial (restaurants, accommodations and fast foods) and institutional (hospitals, schools and correctional institutions).

Existing processing operations which utilize local agrifoods commodities follow one of two strategies: either products are developed to compete with processed foods already on the market or new food products are created. Under the first strategy, the existing products are either imported from outside of the province or local food manufacturers use imported raw materials to produce food commodities. Many of the food processing activities currently taking place in this province using imported fruits and vegetables could use local raw materials if the conditions were right. There are opportunities for directing the agricultural sector towards these food processing industries, even though raw material costs are a principal consideration. For example, the relatively new potato wedges product are made from imported potatoes; many meats in brine use imported pork and beef; and commercial jams produced locally use fruits or concentrates from other parts of Canada. Even much of the packaged savory, a specific Newfoundland specialty, now originates outside of the province and turnip greens have been imported from British Columbia for packaging and distribution throughout Newfoundland and Labrador. As the food product industry develops, so too will the opportunities for local agricultural produce to replace imported raw materials. However, considerable organization and co-operation between local producers and processors will be required to match processors' needs with producers' supplies, and to ensure that, in the future, the cost of local raw materials is sufficiently competitive for processors to choose these products over the imported ones.

The development of new products and food dishes using local agricultural commodities not normally produced commercially also provides opportunities for the local food industries. This kind of development requires that local producers work closely with food processors and the distribution industries (particularly the restaurant trade) to identify the special needs of the market and to link primary production with processors' and purchasers' requirements. Growing artichokes, garlic, squash, pumpkins, marrows, asparagus, mushrooms, cauliflower, leeks, cucumbers, chinese vegetables and a host of other more unusual horticultural products as specialized foods for restaurants, for sale as fresh items and as inputs into the processing industries (frozen pumpkin or asparagus spears, cucumbers for bread-and-butter pickles or broccoli and cauliflower as inputs into certain seafood dishes) are just a handful of examples within only one agricultural industry. These kinds of developments may have significant implications for the greenhouse industry given that the processing industry may require a year-round supply of produce which greenhouse operators may be able to supply. Alternatively, many processing industries with good storage facilities need only obtain large volumes during the growing season in order to have product on hand for year-round processing, while other processors may continue to import raw materials during the winter season when local produce is not available.

Similar opportunities exist with respect to meat products, ranging from the use of locally produced chicken, turkey, lamb, pork, beef and veal to the more exotic meats — caribou, moose, rabbit and game birds. These opportunities have implications not only for retail trade, but for the accommodation and restaurant industries as well. Similarly, the dairy industry may hold opportunities for the future. Because Newfoundland does not participate in the Canadian industrial milk supply-management scheme, and the industry does not appear to be gearing itself towards industrial milk production, the limitations on using fluid milk for industrial products will probably

prevent any large-scale commercial production for many years. Should this situation change, however, there are opportunities for promoting processed dairy products using local milk. Making local creams in the principal dairy producing areas and developing a local, specialty cheese (assuming a market can be found for the whey by-product), are activities which could benefit both the tourism and agrifoods industries.

Current agricultural policy places little emphasis on opportunities for food development using raw materials which are not produced locally. Yet, the total food industry in this province is estimated to be worth between \$1 billion and \$1.5 billion in annual sales and the vast majority of the foods and beverages sold through the retail, commercial and institutional trades enter the province in end-product form. There is considerable employment to be generated from the development of food products in Newfoundland and Labrador through manufacturing, transforming or even re-packaging imported food materials. That is, by creating new companies, or using existing ones, new products can be developed to compete with, and eventually displace, foods manufactured elsewhere and sold in the province.

Developing such products involves various degrees of raw material processing. For example, a local company packages tea imported in bulk for sale as a local brand of tea bags and, therefore, minimal processing activity actually takes place. Yet, even this repackaging process creates several full-time jobs and the product competes well with the more established lines of commercial teas in the Newfoundland and Labrador marketplace. Many small meat processors use imported hog and beef carcasses to produce a wide range of sausages, hams, bacon, puddings and pickled meats which are readily available in the larger supermarkets as well as the smaller grocery stores. These processors are often located in smaller communities around the province: Foxtrap, Pasadena and Ochre Pit Cove, for example. Other local companies transform imported raw materials into fully manufactured food products, such as fruit syrups and soft drinks made from concentrates and artificial flavourings; confectionary and baked goods; ice creams and dairy products made from reconstituted milk powder, and consumer-ready meals (donair packs, frozen pizzas and fish-based dishes using cheeses and vegetables).

The promotion of industries and foods which use imported products should not be considered outside the scope of a provincial agrifoods policy and strategy. While these activities may not use local agricultural products as inputs, they are part of the province's agrifoods sector and should not be ignored. They provide a significant contribution to employment and enterprise revenue generation and considering that the province's agrifoods policy and strategy is based partly on import substitution, these are the kinds of industries that can engage in substituting local products for the imported ones. Therefore, the development of an indigenous food processing industry may depend on the strength of the total food processing sector in this province. The promotion of food processing activities using imported raw materials enhances the local industry because it increases the chances that local products will eventually be used in the manufacturing process. Moreover, the amount of value lost because imported raw materials rather than local ones are used may not be significant, given that in some cases the cost of raw materials is only a fraction of the total value of the product. For example, the cost of imported fruit concentrate in the production of local fruit juices is small compared to the costs of the water, the bottles, packaging materials, labour, energy, storage and transportation.

There are many opportunities for promoting the manufacture of food products which use imported raw materials to develop processed foods in this province. A few examples of the broad range of products which could be developed, or expanded, include

- vegetable products for the retail, commercial and institutional trades;
- various meat products and meat-based convenience foods which combine the use of imported bulk shipments of meat and by-products with a baking or cooking process to make consumer-ready products, or bulk packs for institutional use;
- beverages, jams, jellies, pies and other fruit-based products that use imported fruit or concentrates as a base;
- a variety of dairy products using reconstituted (powdered) milk as a base; and
- specialty food items or products fulfilling a niche market need, particularly for the restaurant or delicatessen trades, such as pastas, ethnic foods and mineral waters.

The recent establishment of a Newfoundland-based fruit juice company is a good example of the above kind of development. This company was formed to take imported fruit concentrates (orange and grapefruit to begin with) together with local water to make juices for retail sale through the major supermarket chains. The product advertises its Newfoundland base. Recently, it has received government assistance to promote the fact that it uses clean, fresh, local water—quite a selling point if the product is ever to be marketed outside of Newfoundland.

Specific products that should be explored in the near future include

- potato salads and other kinds of vegetable and mayonnaise-based salad products;³⁰
- ready-made fresh vegetable salads required by the fast food and restaurant trades, and specialty vegetable dishes, such as stir-fry vegetables for the retail trades, which are increasingly being offered to consumers at many outlets;
- vegetable-based meals and products, such as the soups, vacuum-packed turnip greens, potato wedges, potato chips and snacks of different kinds and breaded, deep-fried potato sticks: (the potato wedges product developed by a local wholesaler has since been copied by a Maritimes' company and both compete in the local marketplace);
- fruit and vegetable-based chutneys, pickles and relishes;
- bulk sauces and ketchups for the institutional and restaurant trades;
- hamburger products, hot dogs, sausages and meat pies of many kinds and in different stages of preparedness;
- consumer-ready Newfoundland meals — fish and brewis, Jiggs dinners, fish and chips, etc., particularly those which can also capitalize on local fish and seafoods;
- beverages (juices, wines and liqueurs), particularly various forms of mineral waters which could be marketed using the province's reputation for pure, clean water;

³⁰ Some packs of potato salad sold in the province's supermarkets now originate in the United States.

- packaged herbs, spices, flavourings and other baking or cooking inputs; and
- yoghurts, cream products and prepared cheese-based dishes for retail sale.

Government must broaden its policy to include this type of development in order to promote a better integration of the agriculture sector with the much larger agrifoods industries. Projects centred on developing new food product enterprises have not been initiated because of a narrow government policy which has overlooked the importance of these industries and also because the food processing industry in this province is extremely small and limited in its ability to establish new food product lines. Individual entrepreneurs involved in the wholesale trade, companies involved in food processing, including the two dairies, and a number of new entrants to the food business, often small-scale or cottage type industries, have been the leaders in this area of food-based enterprise development in Newfoundland and Labrador. Perhaps it is taken for granted that the hundreds of bakeries and small companies manufacturing home-baked pies and cakes, whether they be co-operative enterprises serving more isolated regions of the province or small family-operated enterprises serving a limited number of corner grocery stores in towns and cities, generate considerable employment and contribute to local economies in no small way.

The necessary infrastructure for new product development through secondary processing is largely available in yet another linkage with the fishing industry and the post secondary educational system. The Food Science Program at Memorial University and the Seafood Development Unit at the Marine Institute have the capability to provide the necessary research and develop the required skills for the secondary processing industry in agrifoods. In addition, the fishing industry is active in the development of fish-based food products which it markets beyond the boundaries of the province. Opportunities do exist to take advantage of this expertise in developing new products and marketing strategies for agrifoods. These opportunities have the potential to generate employment, develop existing markets and create new ones, replace imported materials with locally produced products, and generally develop a relatively small-scale secondary processing component within the agrifoods sector by taking advantage of the new perspective. Realistically, it must be recognized that not all of the development prospects noted may necessarily be economically feasible, nor is it necessarily the job of government alone to make such developments a reality. By helping to create an atmosphere conducive to development, government, in partnership with industry, can, however, begin to tap this potential.

The Task Force therefore recommends that

156. the Agriculture Branch incorporate the entire agrifoods processing industry into its mandate, including those industries which do not use local agricultural products as inputs; and
157. the Branch, the Economic Recovery Commission and the Department of Development jointly undertake and sponsor a comprehensive examination of the feasibility of expanding the province's food processing industry.

Chapter 11:

Providing a Sound Knowledge Base

Any strategy for the development of the agrifoods industry in Newfoundland and Labrador must have as a basic component the provision of adequate training programs, with an emphasis on production management, marketing and food processing. However, in the past, formal education for the agricultural industry in the province has received little attention, in part because of agriculture's poor image and the view that agriculture is not a significant contributor to the social and economic fabric of the province. Nor has there been a sufficient level of research on the local industry. Throughout the public hearings and in many briefs, most notably those of the Newfoundland and Labrador Institute of Agrologists⁵¹ and the Newfoundland and Labrador Federation of Agriculture, it was stated that providing adequate education and training continues to be one of the great challenges facing the industry. In a 1989 Federation survey of farmers, 92% of respondents agreed that there is a need for education and training. Of this total, 93% felt there was a need for training in farming techniques, and 84% felt a need for training in financial management.

Despite these results, formal education has also been seen as unimportant by farmers themselves. The Royal Commission on Employment and Unemployment identified the low educational level of participants in the province's agricultural industry as one of the major reasons for its underdevelopment. In its brief to the Task Force, the Avalon Community College indicated that 36% of farm operators have less than a Grade Nine education and 60% have not graduated from high school. This must change, but it will do so only if it is acknowledged that the availability of appropriate educational programs is absolutely essential to the future development of the agrifoods industry in Newfoundland and Labrador. In an age when agriculture elsewhere in the world is becoming more and more technology and knowledge based, the province cannot afford to let its farmers remain behind.

⁵¹ Three of the Institute's objectives are directly related to education: "to improve and maintain standards of excellence, competence, integrity and ethics within the agriculture profession; to further develop an appreciation of the profession among industry and the public; to promote among students, a recognition of the importance of agrology".

Education

Skills Development Training Agricultural skills development training is instruction in specific areas of agricultural activity, such as the Fur Farming Apprenticeship Program developed by the Avalon Community College. This type of skills training is intended for people who are new to the industry, for those who are interested in learning a new skill and for those who want to improve an existing skill. Such skills training programs are useful, but there are not enough of them and many are neither attractive nor accessible to prospective students. Many courses developed in the past were discontinued because of low enrolments.

In the past, vocational education or skills development training has generally been restricted to travel and exchange programs, commodity group training events offered by community college cooking, meat cutting, commercial baking and mechanical courses. These programs have been offered through the Agriculture Branch, community colleges, Community Futures groups, regional development associations, and by the Vocational Education Department of the Nova Scotia Agricultural College (NSAC). Dietetics, food science and nutrition courses are offered by Memorial University, but they have provided little in the way of local content and are hence of limited value to those interested in the agrifoods industry in this province. Similarly, most courses offered through the community colleges (such as cooking) were not designed with the local industry or local products in mind.

Vocational training specifically related to agriculture and agrifoods is the mandate of both NSAC and the Agriculture Branch. Under the Atlantic provinces' agricultural training agreement, NSAC operates an agricultural vocational and technical training program designed to meet the needs of the four provinces.⁵² In addition, it may establish anywhere within the Atlantic Provinces, pre-service or in-service apprenticeship programs, special upgrading courses, short courses within special fields, or other programs as desired. The Atlantic Provinces Agricultural Training Council, with representation from the four Atlantic provinces, serves as an advisory council to NSAC on technical and vocational education needs.

Although NSAC is a regional institution, student enrolment from Newfoundland and Labrador has traditionally been low. Newfoundland and Labrador students represented only 6% of the enrolment for vocational education programs in 1989-1990. Distance and the cost of the programs are the chief constraints to those who wish to attend from this province, and the short courses offered at NSAC are not always appropriate to the unique characteristics and needs of the industry in Newfoundland and Labrador. To address both these problems NSAC should work with the Avalon Community College Agricultural Training Committee to determine how vocational education and other programs may be adapted for the needs of Newfoundland and Labrador industries. Skills development training for farmers should focus on marketing, organic

⁵² The College, located in Truro, also offers baccalaureate degrees and, more recently, graduate programs in conjunction with Dalhousie University. In 1968, an Atlantic Provinces Agricultural Vocational and Technical Training Agreement was signed by the four Atlantic provinces, resulting in a wide range of two- and three-year programs being provided by NSAC. These programs are cost-shared by the four Atlantic provinces on a cost-per-student basis.

farming, secondary processing, technology transfer, entrepreneurial and business skills, packaging, refrigeration, storage and proper use of pesticides and herbicides.

Academic Programs Although there has been a recent influx of university graduates into the agrifoods industries, 1986 census data indicate that only 2.8% of the agricultural labour force in Newfoundland and Labrador have university degrees. This is borne out by the fact that students from Newfoundland and Labrador make up a very small percentage of the enrolment in agricultural degree programs in universities across Canada even though more post-secondary graduates are needed in this province. The absence of a post-secondary agricultural institution in Newfoundland and Labrador adds to the impression that a career in agrifoods is not encouraged. In some of the public hearings, there were calls for the establishment of a provincial agricultural college, but because of agreements with the NSAC and the cost of creating such an institution, the Task Force views such a proposal as unrealistic. An education and training agreement also exists among the four Atlantic provinces and the Atlantic Veterinary College in Prince Edward Island to meet the demand for training in veterinary medicine. This agreement, signed in 1986, provides Newfoundland and Labrador with two enrolments per year.

NSAC, other agricultural colleges and faculties of agriculture have experienced declining enrolments in the past few years, but there now appears to be an increase in enrolments across Canada. As in the vocational programs, compared to enrolments from other Atlantic provinces, the number from Newfoundland and Labrador attending NSAC is low. During the past three years an average of five Newfoundland students a year have graduated from NSAC, from either the diploma or degree programs. These low enrolments are partly the result of the poor perception of agriculture, the lack of a working relationship with Newfoundland and Labrador educational institutions, and insufficient promotion of NSAC's agricultural programs. NSAC indicates that it has not had an active promotional campaign to attract students from Newfoundland and Labrador, but rather has been reacting to requests. However, inadequate promotion of programs is not only the fault of NSAC and other mainland agricultural facilities. In Newfoundland and Labrador, career information and career counselling related to agricultural programs and careers in agrifoods have been virtually non-existent. Nor has agricultural education been adequate within the school system.⁵³

Under its founding Act, Memorial University has the mandate to provide instruction in agriculture in affiliation with other colleges or institutions. Interestingly, an agricultural science option was included in the Memorial University calendar up to 1960. Since then, neither provincial institutes nor most community colleges have made a co-ordinated effort to deliver post-secondary programs in agriculture. While there have been several attempts to offer short courses in agriculture through various community colleges, they have often suffered from a lack of funding or have been offered without a real commitment to integrate agricultural education into their curricula.

⁵³ It was not until 1988 that any agricultural component was included in the social studies curriculum.

The shortage of scholarships for degree students in agriculture is another impediment to post-secondary pursuits. Those offered by industry and the provincial government are limited. The provincial government offers three scholarships of only \$1,000 per year to students entering a degree program at NSAC. A few smaller scholarships are available from other sources, such as the Newfoundland Milk Marketing Board, Co-op Atlantic and Supersweet Feeds. Other businesses need to become active in the development of scholarships to attract students into agrifoods studies. Better scholarships, bursaries and subsidized summer employment programs in the agrifoods industry might attract new people into agricultural education and thus increase the number of graduates who enter the industry.

The entrance requirements for faculties of agriculture constitute a further obstacle. Most require pre-calculus mathematics and high school chemistry. This creates a problem for high school graduates from Newfoundland and Labrador, since these courses are not offered in all schools. The number of schools in the province that currently offer both advanced mathematics and chemistry is increasing, but such courses are still only offered in 67% of Newfoundland and Labrador's high schools.

Graduates in agriculture often find jobs with government departments after graduation, but seldom work with industry directly. In its brief to the Task Force, NSAC noted that a significant number of graduates from the province enter the federal and provincial agricultural services, but few agriculture graduates return to the farm. This is not essentially an enrolment problem, but it does add to the false perception that an education is not of value within the industry itself.

Opportunities for Agriculture Education Because the promotion and co-ordination of agricultural education and training programs have been so inadequate, a number of strategies should be initiated to promote the value of an agricultural education and to increase the enrolment of Newfoundland and Labrador students. Government and industry have begun to recognize the need to promote programs more effectively in schools through the curriculum and career counselling, but existing educational opportunities are still missed because what is available is not known.

In addition, institutions in this province, such as Memorial University of Newfoundland and the community colleges, in conjunction with agriculture facilities elsewhere in Canada, should provide new opportunities for training and education in the agricultural sciences. The Department of Education has expressed support for more advanced and co-operative education within the existing system, and other institutions and agencies, such as the Newfoundland and Labrador Federation of Agriculture, have recently expressed interest in developing new initiatives and a working co-operative model for interested students. NSAC is fostering a co-operative approach with several Newfoundland and Labrador educational institutions and the Federation of Agriculture.

Both the Fisher Institute and Memorial University are also now working with NSAC to arrange for transfer credits. Courses offered in the bachelor of science program at Memorial meet some of the requirements for the first two years of the B.Sc.(Agr) degree at NSAC, Macdonald College of McGill University and the University of Guelph, but a program offering the first full two years of a bachelor of science degree in agriculture is needed at Memorial. Such a program

should be linked to a food-oriented department. At present there are relatively strong Food Science and Nutrition programs at Memorial affiliated with the Department of Biochemistry, and the faculty associated with these programs is one of the largest such groups in all of Canada. These programs, however, are not readily identified in the University calendar or elsewhere and the Task Force was told that the association of the programs with the Biochemistry Department tends to discourage many prospective Food Science and Nutrition students.

A separate Food Science and Nutrition department at Memorial University might co-ordinate such a program and also conduct research related to the agrifoods industry in the province.⁵⁴ This would also give more prominence to agrifoods, attract more students to food-related studies and encourage more provincially based research. Such a department could also serve as a liaison between researchers and participants in the industry, and could co-operate with the Newfoundland Dietetic Association and other groups in the province who are concerned with health and nutrition. Because Memorial University is recognized as one of the leaders in distance education technology in Canada, it could also tackle some of the problems of delivering agricultural educational services across the province.

The Fisher Institute has been working with NSAC to develop the first year of a three-year agricultural technology program. Recently, Fisher launched its Centre for Forestry and Environmental Studies — primarily to address a need for land-based, renewable resource education — which could also assist in raising awareness of the agrifoods industry in the province. The Institute also wants to re-evaluate the Agricultural Training Agreement with a view to ensuring that special Newfoundland needs in agriculture education are delivered with efficiency and excellence.

In the last two years, the Avalon Community College has also become more active in its response to the needs of the industry. It is the only community college that has presented a framework for the development of a comprehensive agricultural training program. It has established an agricultural unit, begun a needs-assessment process, developed a fur-farming program and hired appropriate staff. The Agricultural Unit consists of members from all provincial community colleges and the Fisher Institute. The unit is committed to a more comprehensive training program in agriculture and acknowledges that co-operation with other educational institutions and industry is vital to this objective. The College has shown interest in preparing mature students for acceptance into NSAC and in developing specialized short courses to meet the needs of part-time farmers. In short, the College has undertaken a number of activities which might usefully serve as a provincial model.

This model could be based on the College's philosophical framework for agricultural initiatives: a commitment to develop and deliver co-operative, community-based agricultural training, to optimize the natural attributes of the province, and to emphasize appropriate technical innovation and market awareness. The College's model also identifies the following training components, methodology and infrastructure required for its program objectives:

⁵⁴ In the mid-1980s, the Senate and Board of Regents of Memorial University formally recognized the need to establish a separate Department of Food Science.

- education and training are fundamental in developing the agricultural resource sector;
- skills training, combining theoretical and practical work components, must be an integral part of agricultural education;
- industry representatives should be involved in development, delivery and evaluation of agricultural training programs;
- agricultural training must include entrepreneurial skills training, use of modern technologies and environmentally sound management techniques;
- the program must be sensitive to market trends; and
- the program must be accessible to people in rural areas and, in addition to on-campus training, should utilize mobile training facilities, distance educational techniques, and information-intensive technologies.

Agricultural training programs must be comprehensive, flexible and responsive to both regional and provincial needs. Three different training components are to be developed by the Avalon Community College: skill development for industry (which includes training for both new employees and established farmers), public education and industry promotion, and technical support training for professional resource people (which would include instructor training, technical upgrading, and information and resource sharing). The Avalon Community College should become the co-ordinating body for skills development training in agriculture within the province and a certification process might add further credibility to the programs it offers. Development of a system of apprenticeship training for farmers and farm labourers should also be considered as a long-term training objective.

The Task Force therefore recommends that

158. a joint program of agricultural awareness and agricultural career counselling be developed involving Memorial University, NSAC, other Canadian agriculture faculties, the Agriculture Branch, the Department of Education, and the Newfoundland and Labrador Federation of Agriculture;
159. government support the design and development of promotional brochures and videos for agrifoods, co-ordinated by the Agriculture Branch;
160. government encourage Memorial University of Newfoundland to continue pursuing a more formal transfer arrangement for first- and second-year science students who may wish to obtain a B.Sc.(Agr.) degree at mainland universities, and that transfer routes be publicized in the calendars of relevant institutions;
161. government encourage Memorial University of Newfoundland to form a separate Department of Food Science and Nutrition and encourage Memorial University to offer a lecture course in food, nutrition and health which would be mandatory for all Education students;
162. government encourage the Fisher Institute to continue pursuing a more formal credit transfer arrangement for their proposed agricultural technology programs with NSAC;

163. the Department of Education, in conjunction with Memorial University of Newfoundland and the community colleges, formalize a procedure by which all students have the opportunity to take high school pre-calculus mathematics and chemistry, either at a regional high school, a community college, or the University;
164. the Agriculture Branch and the Department of Education, with input from the Federation of Agriculture and private industry, develop more scholarships and summer employment opportunities in Newfoundland and Labrador in the agrifoods sector; and
165. the Department of Education, in consultation with the Agriculture Branch, work to enhance the social studies courses at the high school level through better agricultural and supplementary resources content.

Agriculture Branch Programs The Extension Services Division of the Agriculture Branch also has a responsibility to develop and disseminate educational and training programs for farmers and its own staff. Consequently, the Division has developed the means to deliver agricultural and policy information, provide technical and financial counselling to individual farmers, and to organize seminars and workshops in livestock and crop improvement and in the adoption of new technology. These activities are provided primarily through the Human Resource Development Program, developed in the mid-1970s, under which a training co-ordinator position was established and funds allocated to provide

- resources for producer training through short courses, technical seminars and travel;
- resources for staff training;
- information to the agricultural industry through the monthly *Farm Forum*;
- financial support to commodity boards and provincial producer associations; and
- agricultural information to schools and other agencies to increase agricultural awareness.

However, several problems have impeded the realization of the goals of the Division and the function of the training co-ordinator, and there has not been an integrated approach whereby representatives of the Branch and the agrifoods industry jointly design programs. Planning for staff and farmer training have been handled by a departmental Human Resource Advisory Committee, but it has not met since 1989. Its structure overlaps with the Human Resource Implementation Committee which has a mandate to examine budgets and process applications for training events; little planning has been done by this committee either. It appears that the training co-ordinator has also had to be preoccupied with administrative and procedural duties often related to cost-shared programs, to the detriment of actual training, needs assessments, program development and program evaluation duties. This lack of planning has impeded successful development and implementation of effective training programs.

A further impediment is Agriculture Branch's lack of facilities, equipment, materials or other resources to effectively accommodate all Newfoundland and Labrador agrifoods training

needs. The Branch does have audio-visual equipment, but it does not have enough programming staff, facilities for courses and programs, or adequate access to distance education technology. Many programs also suffer from organizational and logistical problems. For example, programs do not always take into account literacy levels of individuals, their previous experience and education, time of day, time of year, length of courses and the potential for alternative designs and means of delivery. As a result, the design and delivery of the training programs offered have not been very effective. To address some of these difficulties, the Task Force suggests that the Agriculture Branch reassess its personnel and program needs in the area of training.

Aside from these impediments, the Branch's goals and objectives may be inadequate because they promote agriculture rather than agrifoods. The Branch must consider expanding its training program objectives to encompass all the major aspects of agrifoods development.

The benefits of communication, co-operation and a good working relationship between the Branch and other groups, have not been exploited adequately. As a result, few agencies have taken an active interest in meeting the educational and training needs of the agrifoods industry. It is appropriate, therefore, that the Agriculture Branch develop a clear policy regarding continuing education for farmers which reflects the goals of both government and industry, and that they develop a co-operative working arrangement with industry representatives and commodity organizations.

The Task Force therefore recommends that

166. government ensure all government-funded agrifoods industry training be based upon assessments of industry training needs, including consideration of agriculture beyond the farm gate, marketing trends, secondary processing and technological advances;
167. the Agriculture Branch work with educational institutions to develop training needs, assessments and evaluation of training programs for both Agriculture Branch staff and farmers; and
168. the Agriculture Branch work with the Avalon Community College and the Federation of Agriculture to determine needs and strategies for skills-development programs.

Staff Development and Training. Staff development and training are areas that the Task Force believes require special attention. Comments in briefs, at public sessions and during subsequent meetings, from many groups and individuals, have identified these as integral components in the continuing development and success of the agrifoods industry. The number of people in Newfoundland and Labrador with expertise in the agricultural industry is limited. Most expertise lies within the Agriculture Branch, and with individuals employed by Agriculture Canada, including those at the St. John's West Research Station. The fact that farmers are dependent upon a small number of resource people for advice, information and assistance, makes it essential that a high level of expertise is available to accommodate those needs. However, the current level of commitment towards continuing education for staff is not adequate and many of those working in government positions related to agriculture have not attained levels of post-secondary education comparable to their counterparts in other provinces in Canada.

The Agriculture Branch has offered a number of educational opportunities for staff in the past but these opportunities have often been *ad hoc*, not co-ordinated, and not necessarily compatible with Branch objectives. There has been poor liaison with other government departments, as well as with educational institutions possessing expertise in the design and development of continuing education. Staff have deficiencies in particular areas that could be addressed properly through a needs-assessment process, though previous attempts at training needs assessments and evaluations were incomplete. A more thorough needs assessment could identify objectives and goals for the Branch as well as for individual employees. Particular issues which have been identified in briefs presented to the Task Force include training in financial management and adult education techniques. Yet little financial management or adult education training has been incorporated in the technical and post secondary degree programs completed by most provincial extension staff. This situation must be addressed through the development of a clear set of policy guidelines for staff development and training which reflect the overall objectives and priorities of the Agriculture Branch. As well, the staff development policy must contain post-training evaluation and follow-up as these are integral components for ensuring effectiveness of programs. The Branch should not work in isolation in the development of this policy; other resource groups, such as the Public Service Commission, might help develop guidelines, identify training needs and assist with program costs and delivery.

Support for such continuing staff education has appeared in many briefs, both from farmers who need to receive current information and from the Newfoundland and Labrador Institute of Agrologists. Yet policy guidelines for staff training have not been developed within the Agriculture Branch. This is a problem for the agricultural industry because Agriculture Branch staff are looked upon as a source of expertise for industry personnel and they must keep abreast of the many changes and advances in agricultural science and technology.

In its brief to the Task Force, the Institute recommended that a program of in-service training for professional staff be formalized. The program should permit agrologists to leave the province, perhaps on a work transfer, for up to one year, but allow them to return to their careers in Newfoundland. Agricultural staff should also regularly receive upgrading in such areas as adult education and specialized technical subjects. In addition, the Institute recommends that the provincial Agriculture Branch negotiate a formal agreement with a training institution in the province such as Avalon Community College to ensure that training is a co-ordinated, building process. The Task Force supports these recommendations.

The development and establishment of a resource centre within the Agriculture Branch (perhaps integrated with the library that currently exists at the St. John's West Research Station) would assist staff training and upgrading. However, the necessary financial and personnel resources might not be available, in which case the Enterprise Newfoundland and Labrador Corporation's Business Resource Centre, which is committed to providing information regarding small business assistance, might prove helpful. The Business Resource Centre is willing to develop a working relationship with the Agriculture Branch to improve existing services to both industry and government employees.

The Task Force therefore recommends that

169. the need for a comprehensive staff development and training program be assessed, with the aim of developing new program guidelines to encourage staff upgrading and to promote new staff recruitment;
170. the Agriculture Branch ensure that printed materials, audio/visual equipment, and other, properly catalogued, up-to-date materials, are accessible to all staff and industry personnel through its resource centre/library;
171. the Agriculture Branch develop and maintain a working relationship with the ENLC's Business Resource Centre.

Science, Research and Technology

Since the practice of agriculture is based on science, the successful advancement of agriculture in any region largely depends on the application of science and technology. Agriculture in Newfoundland and Labrador is no exception. At the many public sessions held throughout the province, during the numerous private meetings the Task Force held with individuals and groups, and in many of the briefs received, the need for more scientific research and technology transfer was identified. Individuals and groups asked that basic and applied agricultural research be carried out in Newfoundland and Labrador; they called for more research under the actual conditions that exist in the different and varied geographical locations across the province. They argued that what works well at the research station in Mount Pearl will not necessarily work in the Codroy Valley, the Humber Valley or in the Musgravetown region. Those directly involved in the industry called for better access to, and transfer of, technologies developed at research centres outside Canada. Although the average education level of farmers is low, today more young farmers are going to university, professional schools and agricultural colleges, and some are going on to take graduate degrees.

A significant Atlantic resource for agricultural research and technology is found in the college and university system, particularly at the Nova Scotia Agricultural College and the Atlantic Veterinary College. NSAC has undergone a major expansion in staff, teaching and research facilities during the last ten years. Currently, the College has 70 professional staff involved in a wide range of research activities of national significance but with special emphasis on Atlantic agriculture. Approximately sixteen laboratories are dedicated to research and technology transfer projects related to agriculture, food and environmental concerns. This role is recognized by federal and provincial governments and by farm and farm-related industries, all of which provide funding in support of a diverse range of projects. The college now ranks fourth among Nova Scotian universities in research funding received. A memorandum of understanding between Agriculture Canada and the Nova Scotia Department of Agriculture and Marketing recognizes the role of NSAC in research and identifies the capabilities that are available for research related to agriculture and food. A similar memorandum of understanding with Prince Edward Island recognizes NSAC as an institution for research and technology transfer for the Prince Edward Island agriculture sector. The Atlantic Veterinary College, the newest of Atlantic institutions (founded in 1986), has developed and will continue to maintain a strong capability

in research related to livestock diseases, and it hopes to become a unique centre for research in fish diseases. Both these institutions must be seen by governments and industry as an important resource for the solution of problems unique in Atlantic agriculture.

Memorial University Within the Province of Newfoundland and Labrador, many possibilities exist at Memorial University for basic research in the agricultural sciences. Memorial has considerable expertise and facilities for basic research in animal nutrition, physiology and biochemistry; plant biochemistry, physiology and pathology; food microbiology; processing and new product development; mechanical and structural engineering; soil chemistry and physics; entomology, parasitology and post-harvest physiology. The Food Science and Nutrition programs affiliated with the Department of Biochemistry have expertise in the area of food chemistry, engineering, processing, analyses, product development and nutrition (animal and human). Facilities and human resources are available at Memorial to set up a microbiological quality-control laboratory for research in the various microbiological aspects of foods development. The newly constructed Food Science Pilot Plant located on Mount Scio can facilitate the industrial processing of foods. Food processors will be able to carry out experiments in thermal processing, food analysis, food formulations, smoking and drying and product development. This valuable scientific and research resource should be utilized more fully to serve and respond to the needs of the agrifoods industry of this province.⁵⁵

Food toxicology is another area of interest to the agrifood industry. A number of the faculty at Memorial (which has a toxicology program) could provide advice and participate in research and development related to food safety. Others have carried out studies on the relationship of the Newfoundland diet to the high incidence of hypertension in the province. Another faculty member has been involved in the use of Newfoundland products, specifically dried caplin, in infant feeding programmes in Africa, and such expertise might be applied to the use of other locally produced foods. Both basic and applied nutrition research is conducted at Memorial and it has expertise in the analysis of the lipid, protein, amino acid, vitamin and mineral content of foods.

There is considerable pure research being carried out at Memorial which has application for agriculture. A great deal of work has been done and significant expertise exists in pest control. The cool, damp conditions in the province lead to numerous fungal attacks on crops which can cause considerable damage. Again, Memorial has expertise in pathogenic fungi. Other faculty members have studied the parasites of such livestock as sheep and cows. In basic biology, Memorial has considerable experience with the ecology and physiology of crop plants, both cultivated and semi-domesticated crops such as bakeapples and blueberries. Expertise is also available in many other areas of horticulture and basic botany, including peat, peat technology,

⁵⁵ The strength of food science and nutrition research at Memorial is illustrated by the fact that three faculty members have been awarded the Borden Award of the Canadian Society for Nutritional Sciences. This award is given annually to one Canadian researcher for outstanding research in nutrition. Another faculty member has been given two major nutrition research awards: the American Feed Industry Nutrition Research Award and the National Broiler Nutrition Research Award for the United States, as well as a Canadian award for excellence in nutrition and meat science research.

hydroponics and organic gardening. As well, experiments have been conducted using techniques for specialized crop production; for example, city waste has been used to produce compost for profitable specialized crops. In addition, the Memorial University Botanical Garden has a highly trained staff which could be involved in trials of varieties, and in basic and applied horticulture research.

Agriculture Canada Considerable expertise in research and technology exists in the Atlantic Region, and Agriculture Canada has research stations with the following research concentrations:

- St. John's West (Mount Pearl), Newfoundland -
crop production on mineral and peat soils, managing native fruit, forage crops and potato pest controls
- Kentville, Nova Scotia -
new cultivars and technologies for production and protection of horticulture crops, nutrition and management of poultry, technology for food storage, handling and processing
- Nappan Experimental Farm, Nova Scotia -
beef cow-calf and swine production systems
- Charlottetown, Prince Edward Island -
new cultivars and management programs for barley and clover for eastern Canada, cereal, forage and oilseed crops, soils management and conservation, nutrition, management and protection of potatoes, forage-based dairy-beef production
- Fredericton, New Brunswick -
new cultivars and technologies for the production, handling and management of potatoes, soil management and conservation, forage conservation, silage utilization for dairy cattle
- Michaud Experimental Farm, New Brunswick -
evaluation of crop cultivars, management practices for vegetables, berries and tree fruits, cereal and forage programs.

Other Agriculture Canada research stations in the province of Quebec focus on food research and development in dairy cattle and swine production; forage and grain production; and environmentally sustainable techniques and systems of horticultural production. Agriculture Canada also has numerous research stations across Canada which are interlinked, and the research of any facility is readily available across the entire system. It is recognized that much of the research conducted regionally and nationally can be applied to problems encountered in Newfoundland. However, the implementation of research results from other parts of the country requires considerable refinement so that these results can be adapted to Newfoundland conditions. Newfoundland agriculture presents unique challenges given the climate, soils and physiography.

At a number of public sessions, concern was expressed about the reduction of research at the St. John's West station. This research station is being gradually downgraded as research positions have not been filled when employees have retired or moved, facilities have been allowed to degenerate towards obsolescence and the facility is perceived by the agricultural community as being completely out of touch with the needs of the industry. Both the Task Force and the industry recognize that this station cannot be all things to all people. It should not try to re-invent the wheel, but rather should stress the areas of research for which it is most suited, and from which this province's agrifoods industry can gain the most. Therefore this Task Force strongly supports the recommendations of a recent review of the St. John's West Research Station,⁵⁶ that it be primarily involved in research on forage, and on mineral and peat soils. The Task Force also supports the conclusion of the Agriculture Canada Research Station Review Committee: that given the geographical location and the climatic conditions of Newfoundland, the St. John's West Research Station should be integrated in its research program with the Mid-North Network of Agriculture Canada research establishments (such as Kapuskasing, Normandin, Morden), as well as with research centres in Scandinavia and Northern Europe.

The Task Force's view of the future research role of the St. John's West Research Station differs from the Review Committee's on one point, however: the Task Force suggests that the station should extend research in the livestock feed area to include grasses and legumes grown on peat soils and not just on mineral soils, as the Committee recommends. Elsewhere in this Task Force Report it is stressed that for the animal industries to become more viable and competitive, the province must increase its developed land base and must increase productivity on its presently developed land.

As ensiling techniques become more accepted, the opportunity for forage production on peat soils should increase. Production of small grains is another matter, but perhaps not out of the question. In the past, Agriculture Canada has done some grain variety trials on peat soils. This work has highlighted problems with attaining full grain development (as indicated by lower-than-average bushel weights). However, this work was carried out primarily in Eastern Newfoundland in the 1950s and 1960s with spring-planted grains. There have been some problems with field-drying the small grains, but there has been very little, if any, research into production possibilities in Western Newfoundland, where wheat, barley, oat and rye crops were grown in the past. Indeed, before Confederation, wheat from this area had been judged better than that from the mainland. Although these grains were grown on mineral soil, the Task Force believes grain production on the peat soils of the region may have excellent potential. Another possibility, especially in Western Newfoundland where frost-heaving is minimal, is the use of fall-planted grains which should be expected to easily attain full maturity in plenty of time to dry in the field during late August.

Given the past history of grain production in Western Newfoundland, the lack of information about locations in past research on small grains, and the time that has elapsed since

⁵⁶ "Report of the Review Committee of the St. John's West Research Station", Agriculture Canada, 1990.

such research was conducted, the Task Force feels that it would be appropriate to initiate new research into the possibility of grain production in Western Newfoundland. Research should focus on both peat and mineral soils, concentrating on improvements in crop production efficiency for small-scale intensive systems.

In Finland there is a great deal of fall-planted rye grown for livestock feed; this should be an incentive for research efforts in this province. The winter hardiness of this plant combined with a maturation date in late summer (thus allowing good drying conditions), makes winter rye a very good possibility for a new research direction. Other livestock feed options that also deserve consideration for production under Newfoundland conditions are hull-less oats and full-fat canola. The need for research into the various aspects of agricultural production on the peat soils of Newfoundland indicates the need for serious upgrading of the Agriculture Research Branch's mandate in this province. The Task Force realizes that Agriculture Canada has already designated a research station in Quebec as a national peat research centre. However, there is sufficient need in this province to warrant greater research emphasis on appropriate ways to utilize the peat resource here. The focus of this peat research should include the development and/or importation of an effective and economical sub-surface drainage system suitable for Newfoundland conditions; the development of equipment to drain the peat soils of the province; provision of a peat drainage service on a fee-for-service basis; research into the production, harvesting and storage of forage, grains (in particular fall-planted rye and hull-less oats), canola, certain short-maturation varieties of soya beans, landscape sods and ornamental plants; and other development as may be appropriate.

Newfoundland's clean environment — one of the most pristine in North America — could be a potent marketing advantage as the province looks to future domestic and export markets for agricultural products, especially if these are linked to organic farming practices. To capitalize on this, farmers will need to have easy access to information on alternative production systems. The St. John's West Research Station can play a significant role in this respect as it shapes its professional and technical staff complement for the future. One area that needs particular attention, provincially as well as nationally, is that of integrated pest management (IPM). Environment Canada has recommended, and the Task Force agrees, that alternative pest control strategies, such as those embodied by the concept of integrated pest management, need to be researched further and put into practice as quickly as possible. Research in this province into IPM would complement the research work into organic production techniques in agriculture already under way in Prince Edward Island. Such a joint effort would also flow naturally from the historical ties that Canada's island provinces have enjoyed. This production strategy offers some very exciting research opportunities and could be an important focus of a future professional position in crop protection at the Station.

This type of work should not be done in isolation, particularly since neighbouring provinces in the Atlantic region might have similar interests. Research into IPM should consider both reduction in pesticide usage and strategies that could be utilized in pesticide-free production systems. Such a program should complement the development of extension knowledge and marketing strategies for organic agricultural production. Many consumers are concerned about the chemicals in pesticides and fertilizers, as well as the various antibiotics and chemicals used

in the livestock and dairy industries. As a consequence there is an increasing demand for organically produced foods. The Canadian Agricultural Research Council (CARC) has recently completed a study that identifies the role of governments in regulating organic food production. CARC has recommended that Canadian standards reflect those being developed at the international level and co-ordinated by the International Federation of Organic Agricultural Movements (IFOAM). For the province to capitalize fully on future demand for organic foods, government will have to act quickly to provide the necessary technical support for farmers wishing to shift from conventional production practices to organic techniques. Since Newfoundland has some of the cleanest water and cleanest air, chemical-, herbicide- and pesticide-free soil in all of North America, and since it has an abundance of highly nutritious organic fertilizers (fish offal, kelp, peat, etc.), the Task Force feels strongly that Agriculture Canada, possibly jointly with the Government of Newfoundland and Labrador and Memorial University, should include research on organic farming and sustainable agriculture as a major mandate of the St. John's West Research Station.

So that the work at the St. John's West Research Station can be brought more directly to the attention of farmers in all parts of the province, the Task Force proposes that the Agriculture Branch, in conjunction with the Research Station, develop a demonstration research program for the province, and conduct annually, demonstration projects in eastern, central and western Newfoundland, and possibly in the Lake Melville region of Labrador. Demonstration projects should be conducted on various grains (naked or hull-less oats and rye), protein feedstuffs (sweet lupin, canola, early-maturing soya beans) and various vegetable crops.

The Task Force therefore recommends that

172. the current (agricultural) research on peat soils be upgraded, either through the establishment of a formal research body such as a provincial Peat Development Institute, or through serious upgrading of the Agriculture Canada Research Branch's mandate within the province;
173. government indicate its desire that Agriculture Canada designate the St. John's West Research Station a national centre for research into practical methods of Integrated Pest Management, organic farming and sustainable agriculture research in Canada.

Vegetable Crop and Greenhouse Research While a certain amount of research on the traditional cole crops and root and tuber crops should be continued at the St. John's West Station, a major effort should be made to begin research on new crops such as bok choy and broccoli. Varietal adaption trials on farms in different regions of the province should be carried out as part of a continuing research program. The fruit growers in the Humber Valley, in particular, suggest that many types of fruit can be grown in their area, and elsewhere in the province, if the right varieties can be identified. They back up this claim with proof: cherries, apples and plums are grown for sale in the Humber Valley. Because of the extensive work on potatoes already conducted over the years, the Task Force feels that the St. John's West Research Station should discontinue its research on the selection of wart- and nematode-resistant potatoes and concentrate

on expanding commercial production of field-tested and commercially proven varieties such as Brigus, Blue Macs, Mirton Pearl and Dominoes.

In the future there should be greater and more formalized co-operation and collaboration between scientists at the St. John's West Research Station and those at Memorial University. Joint research projects should be encouraged and indeed stressed. For example, scientists at the Research Station together with geneticists at Memorial University and possibly the animal geneticists at Agriculture Canada's Research Station located at Lennoxville, Quebec, should make a concerted effort to evaluate the data on the local breeds of sheep for productivity and performance and compare them with other breeds. More research should be conducted on native breeds of sheep in Newfoundland instead of continuing to import breeds from elsewhere. In a similar vein, the nutritionists, food scientists and biochemists at Memorial University should develop collaborative research projects with other Agriculture Canada scientists (at Kentville, Fredericton, Nappan, Charlottetown, the Nova Scotia Agriculture College) and the Atlantic Veterinary College to develop new opportunities for feed and feeding programs utilizing local and native feedstuffs.

Greenhouse farming operations are significant contributors to the agrifoods economy, yet the size and importance of the industry have been underestimated. There is great potential for further development of this sector if suitable research and technological developments are adapted to the Newfoundland industry. There may be, for instance, many possibilities for extending the growing season of vegetables. Currently, each spring most vegetable greenhouses produce mainly transplants for field crops, while others produce limited quantities of tomatoes over the summer period. The Task Force feels that research should be conducted to extend the varieties of crops produced, the scheduling of these crops and intercropping production techniques utilizing minimum supplementary heating sources.

As opposed to the agrifood sector, the agriflora greenhouse industry has a highly developed research and technological component, both nationally and internationally. Research in this area is usually carried out, at great cost, by private industry, governments and the universities. The Task Force believes that because of the limited funding available for research in this province, research funds would be well spent on greenhouse production. Within the agriflora component of the greenhouse industry, for example, the production of nursery stock (trees, shrubs, other ground covers) for aesthetic use in landscaping homes, businesses, highways, and other practical uses such as for erosion control, offers much potential. The potential would become even greater if appropriate research were conducted using Newfoundland and Labrador native plant species. Because of the inherent climatic hardiness, colour and growth characteristics of native plants, Newfoundland certainly might have a comparative advantage which could substantially enhance its agricultural development in both domestic and export markets. To capitalize on this advantage, immediate research is needed in the areas of native plant selection, seed and cutting propagation from native stock, and production techniques. Further opportunity might exist in supplying tree seedlings to Christmas tree farms, wind-break species for the berry industry, and tree seedlings to nursery-grown tree operations. Finally, government could consider privatizing the growing of tree seedlings used in the Newfoundland and Labrador silviculture programs.

The Task Force therefore recommends that

174. government strongly encourage varietal adaptation trials on farms in different regions of the province as part of a continuing research program;
175. government recommend that Agriculture Canada discontinue its research on the selection of wart- and nematode-resistant potatoes;
176. government encourage development of collaborative research projects between nutritionists, food scientists and biochemists at Memorial University and Agriculture Canada scientists, to develop new opportunity feeds and feeding programs utilizing local and native feedstuffs; and
177. government, in consultation with the Greenhouse Growers Association, pursue research in greenhouse vegetable production and use of greenhouse-grown native species of trees for landscaping and silviculture programs.

Research Integration If the agrifoods industry is to realize its full potential in this province in the future, it will do so only by fully developing in the area of further processing or "value added" products. Such a development will only be possible with strong research support in food science, food processing technology, nutrition and applied microbiology. Therefore, the Task Force feels that to complete its idea of an integrated research and technology approach, the government should encourage integration of the Seafood Development Unit at the Marine Institute with the proposed new Department of Food Science and Nutrition at Memorial University. The proposed department at Memorial University, integrated with the technology arm at the Marine Institute, would be in a better position to train the future food scientists, food technologists, applied nutritionists and food microbiologists required by an expanded agrifoods industry. It would also be in a position to work in conjunction with industry to develop new technologies, new food and feed products, new and improved packaging and packaging materials, and new uses for such surplus products as eggs and industrial milk. Opportunities also exist to capitalize on the fishing industry's expertise in food production, development, processing, freezing, storing, packaging, presentation and transportation.

Another opportunity for research integration is in the area of nutrition. The Task Force received a number of briefs which expressed concern over the poor nutritional status of Newfoundland school children and the public at large. It was noted in Chapter 8 that there has not been a national or provincial research initiative to assess nutritional status since the Nutrition Canada Survey in 1970-72. This concern could indeed be addressed by Memorial University and the Seafood Development Unit at the Marine Institute. If the Marine Institute's Seafood Development Unit were integrated with Food Science and Nutrition at Memorial University, improved pure and applied research would be possible and could contribute significantly to a competitive and viable agrifood industry. It would be particularly relevant in the secondary processing of food products, technology transfer activities, product and process development. The Marine Institute is cognizant of the potential for a relationship between the two. Currently seafood technology is the focus of the unit, but it sees a natural relationship between the

development of seafood and agricultural products. In its brief, the Marine Institute has asked the Task Force to call for the organization and integration of Memorial University, the Marine Institute, provincial and federal government and industry to maximize benefits to the industry.

The Task Force strongly supports the utilization of scientific and other expertise which exist not only at Memorial University and the Marine Institute, but also at the Fisher Institute and the Community Colleges, both from a research and technology transfer standpoint. This approach would bring the basic scientist and the applied scientist together. Good applied research cannot be accomplished without a strong foundation and understanding of basic research on the subject, and yet to put basic research to practical use, applied research is necessary. Such a combination of basic and applied research is absolutely necessary to capitalize on the further processing value-added aspect of the provinces agrifood industry, to achieve a viable and competitive agrifoods industry in the future.

Newfoundland is one of only three provinces in Canada which do not budget resources for agricultural research,⁵⁷ but the time has come when the Government of Newfoundland and Labrador has to commit funds to agricultural research and it should do so in the next budgetary cycle. A vehicle is now in place whereby federal research stations may accept funding from external sources to carry out a particular piece of research. It is recognized that there is very limited capacity within the local industry to carry out research and development projects themselves because the industry is small and still in the developmental stage. Yet it is felt that certain segments of the industry could at least partially fund research projects at Memorial University or some other post-secondary educational institution with research capabilities on the mainland, and this approach is strongly urged. The Task Force also encourages the various industry groups to consider contributing to a scholarship endowment fund for students in the agriculture and food science field. It is believed that such a move would give recognition and visibility to the agricultural and agrifood industry and would probably attract more good students who otherwise would not consider studying in this field. There is a role here for the Newfoundland and Labrador Advisory Council on Science and Technology. The Council is funding agrifoods work this year and the Science Council of Canada is undertaking a major project on sustainable agriculture. Continued participation of these agencies in agrifoods research should be encouraged.

There is also a great need to improve communication between researchers and producers. The agricultural specialist should indeed fill the role of bridging the gap between the researcher and the producer. As well, the agricultural representatives should be knowledgeable enough to direct producers to the proper specialists, and the specialists should be able to direct the producers to the proper researchers, on the island or elsewhere. There is also a need for a major annual conference to which scientists from various areas of study (horticulture, livestock, plant sciences, food science) would be invited to present current research activities and new findings. The conference should be moved from year to year to cover the province more fairly. It should use post-secondary education facilities (Memorial University, Central Community College, Fisher

⁵⁷ The other two provinces are New Brunswick and Prince Edward Island.

Institute or Grenfell College) and for that reason should be set for the July-August period when classes are out. The first such annual conference should be held in August 1991. This would be an excellent way to build the profile of agriculture and agrifoods while educating and informing producers.

The Agriculture Branch should be provided with the necessary resources to take up to 20 producers on an annual tour of research centres (Kentville, Nappan, Fredericton, Charlottetown, Nova Scotia Agricultural College), where they would be able to meet with scientists and technical experts working in their area of production and interest. Up to two days should be spent at each centre and a different group of producers should be taken each year to different research centres, depending on the interest of the producers involved. Funds should be provided in the department budget for specialists (and progressive producers) to travel outside the Atlantic Region (Mid-North Station Network, Western Canada Stations, Scandinavia, Western Europe) where technologies have been and are being developed that are applicable to the Newfoundland situation.

There is also a great need for demonstration research in Newfoundland and Labrador, and funds for such should be comparable to those provided in other regions of Canada. These funds should be provided under future technology and technology-transfer agreements. This approach would probably be the best way to replace the old Illustration Station Network which so effectively served a need years ago when Canada's agricultural industry was in its developmental stage, as Newfoundland's agriculture and agrifood industries are today. In Newfoundland, the transferral of existing technology would be of far greater value than developing new technology. During the public sessions, the Task Force was made aware of producers' needs for easier access to information and technologies already available in the Atlantic Region. One of the failings of the cost-shared agreements' technology transfer program is that information about technology appropriate to specific groups of farmers or commodities has been poorly disseminated. Gone are the days when farmers could use the methods and practices of their forebears and still compete equally in the marketplace. Agricultural and food technology is changing at an accelerated rate and the Newfoundland agrifoods industries must keep pace in the adaption and transferral of new technology to the farm community and food processing industries.

The Task Force therefore recommends that

178. government encourage greater and more formalized co-operation and collaboration between scientists at the St. John's West Research Station and those at Memorial University, stressing joint research projects;
179. government strongly encourage integrating the Seafood Development Unit at the Marine Institute and the proposed new Department of Food Science and Nutrition at Memorial University;
180. government encourage the proposed new Department of Food Science and Nutrition at Memorial University and the Seafood Development Unit to work in conjunction with industry to develop new technologies, new food and feed products and new uses for surplus products such as eggs and cream;

181. government encourage researchers and the agrifoods industries to capitalize on the fishing industry's expertise in food development, processing, and market development;
182. government identify and commit appropriate funding for agricultural research in its annual budgetary process;
183. industry assist with funding agrifoods research projects in the province;
184. industry contribute to a scholarship endowment fund for agricultural and food science students;
185. government provide funds for commodity specialists to travel outside the Atlantic Region where technologies have been or are being developed that are applicable to the province's agrifoods industries; and
186. government include funds for on-farm demonstration research in any future technology and technology transfer agreements.

Chapter 12:

Leadership and Guidance - Framework for Co-operation

In the public policy arena, governments set the agenda for promoting any particular sector, industry or commodity by establishing a policy framework supported by legislation, regulations, strategies and programs. Governments' actions can create an environment conducive to development and their human and financial resources provide the leadership for fulfilling established policy objectives. Because agriculture is a shared jurisdiction between the federal and provincial orders of government, the Government of Canada and the Government of Newfoundland and Labrador are both expected to have an established policy framework and strategy for the development of the agrifoods sector and to work in close harmony to provide the necessary leadership and guidance. The level of intergovernmental co-operation in this area, of course, depends on both governments' commitment to the sector and the degree to which their objectives are linked.

Federal-Provincial Co-operation in Agrifoods Development

In the 1960s and 1970s, the federal and provincial governments initiated several co-operative programs, such as the Fund for Rural Economic Development (FRED) and the *Agricultural Rehabilitation and Development Act* (ARDA), aimed at promoting agriculture within a rural development context. It was not until the late 1970s, however, under the mandate of the Department of Regional and Economic Expansion (DREE), that the first comprehensive federal-provincial agreement to promote agriculture as an industrial sector was negotiated between the two governments. The Canada-Newfoundland Agricultural Development Subsidiary Agreement (subsidiary to the Canada-Newfoundland General Development Agreement of 1974) was signed in 1978 as a five-year plan whereby both governments contributed funds and other resources to develop key aspects of the agriculture sector in Newfoundland and Labrador. The federal government committed 90% of the funding and the province, the remaining 10%. Project planning was the responsibility of the provincial government, but a federal-provincial Management Committee comprising three federal representatives (from Agriculture Canada and

DREE) and three provincial representatives (from the Agriculture Branch and Intergovernmental Affairs) oversaw the implementation of joint programs.

Funds were allocated to eight program areas: Farm Development, Development Opportunities, Blueberry Industry Development, Marketing, Land Use Planning, Land Development, Agricultural Facilities and Planning, and Co-ordination and Evaluation. Between 1978 and 1984 (the agreement was extended for one year), a total of \$16.3 million was spent on a variety of agricultural projects which established much of the basic infrastructure for the sector as we know it today. A significant amount of land clearing and development took place, access roads were constructed and power provided to farms, blueberry management units were consolidated and even the provincial Agriculture Building itself was built using funds from this agreement. Funds were also committed to upgrading the skills and knowledge of the industry through education and training programs, assisting new entrants to farming and improving marketing systems, etc. The evaluation provided a solid base for commercial agriculture in this province to grow and develop through the 1980s.

There have been many criticisms of the Agricultural Development Agreement, some of them legitimate, others not. One comment mentioned on several occasions is that the principal objective of the agreement – to increase the volume, value and quality of local agricultural products – was extremely narrow. This objective implied that agriculture would be developed within the context of "growing more of what we have and growing it better", with no incentive to diversify the agricultural product base, examine the potential for secondary processing or develop out-of-province or export market opportunities.

The Task Force points out that the Agricultural Development Subsidiary Agreement was really the first joint effort by governments to promote commercial agriculture in this province. It had to focus on establishing the basic agricultural infrastructure and services for future development which other provinces had put in place decades before. In other parts of Canada, DREE agreements were used to fine tune developed agriculture sectors. After centuries of subsistence agricultural development and several decades in a state of transition, Newfoundland and Labrador farmers in the late 1970s were entering a new era of commercial development. However, they were doing so largely as novices compared to their counterparts elsewhere in the country. Therefore, to attempt to transform Newfoundland agriculture into an integrated and modern commercial sector within five years would have been too difficult.

The Agricultural Development Subsidiary Agreement laid the foundation for future expansion and development of the sector, but this building process ground to a halt when the agreement expired in 1984. By this time, DREE had been replaced by the Department of Regional and Industrial Expansion (DRIE) and cost-shared agreements were negotiated under a new umbrella arrangement, the Economic and Regional Development Agreement (ERDA) between the federal and provincial governments. Under ERDA, sectoral federal departments, such as Agriculture Canada, were given a more prominent role in the development, negotiation and implementation of agriculture cost-shared agreements across the nation and they were expected to do so in a way that also accommodated the principal mandate of DREE – to reduce regional disparities across the country.

Agriculture Canada saw as its mandate to promote Canadian agriculture within an export-oriented, market-driven international arena. The department had difficulty harmonizing its mandate with that of the now defunct DREE. While cost-shared agricultural programming in other provinces under the ERDA banner, particularly in the Maritimes, was continued in the form of a second round of cost-shared agreements throughout the 1980s, the federal and provincial governments were not able to negotiate a successor agreement for Newfoundland and Labrador.

For three years, between 1984 and 1987, no cost-shared funds were allocated to the agriculture sector in Newfoundland and Labrador. The federal government spent virtually nothing on the developmental aspects of agrifoods, but the province allocated more than a million dollars for each of two years, over and above its regular commitments and obligations. The reason there was no signed cost-shared agriculture agreement negotiated for this province is not entirely clear because the federal and provincial governments blamed each other for failing to regard agriculture as a priority area for joint funding. No matter which government was responsible for this three-year void (and perhaps both should be held accountable), the poor image of agriculture once again constrained the sector and the development of agriculture in this province fell even further behind other jurisdictions.

The Atlantic Livestock Feed Initiative In 1987, the federal and provincial governments signed the Canada-Newfoundland Subsidiary Agreement on an Atlantic Livestock Feed Initiative (ALFI). The initiative was originally announced by the federal government as a single program covering the Atlantic region. However, because the emphasis in the Maritime provinces was on promoting feed grain production, the program was modified to meet Newfoundland's need for greater forage production. This four-year cost-shared arrangement committed \$4.8 million (\$4 million by the federal government and \$0.8 million by the province) to increase the quantity and quality of livestock feed with the aim of promoting forage self-sufficiency. It was anticipated that ALFI would help to reduce farmers' long-term dependence on imported feeds and also improve their realized net income: the feed component for livestock producers, on an average, accounted for nearly 50% of their net operating expenses.

The ALFI agreement is now in its last year. The Agriculture Branch, in concert with the industry, is in the process of negotiating a similar agreement with the federal government. It is thought generally by industry and government that ALFI was a successful intergovernmental arrangement, since funds were used to develop a significant amount of land for forage production. While the formal evaluation of the ALFI Agreement has not yet been completed, the forage production statistics provided by the Agriculture Branch indicate that both overall forage production, and the per-unit yield, have increased. In 1986, before the ALFI agreement, 3,640 hectares produced 18,000 tonnes of forage annually, for an average yield of 4.95 tonnes per hectare. In 1989, it was estimated that 25,000 tonnes of forage were produced on 4,600 hectares of land for an average yield of 5.42 tonnes per hectare. Furthermore, in 1986, local forage averaged 10.8% crude protein and 54.9% total digestible nutrients. By 1989, crude protein had been increased to an average of 11.2% and total digestible nutrients to 57.4%. By mid-1990, 650 hectares of land had been cleared and a further 480 hectares were improved using agreement

funds. Therefore, the amount and quality of forage also has improved over the life of the ALFI agreement.

The dairy industry, in particular, has benefitted significantly from ALFI, but so have certain other livestock industries. For example, certain breeds of sheep and beef can now be finished on some of the newer high-protein forages that are being developed. ALFI only scratched the surface in reducing Newfoundland's dependency on imported feeds but it assisted farmers in their goal of forage self-sufficiency. Producing adequate quantities of high-quality forage locally offers this province the best chance for reducing farmers' input costs and lessening their dependence on expensive imported feeds.

Given the very tangible and immediate benefits realized from ALFI programs, a new ALFI would continue to increase the competitiveness and productivity of the dairy, beef and sheep industries. The Task Force hopes that a new agreement can be negotiated, though it is unlikely that it can be negotiated before the current agreement expires in March 1991. The Task Force suggests that government acquire a two-year extension to the existing agreement at a funding level equal to or greater than current levels. When the comprehensive Agrifoods Development Agreement expires in 1993, either a new sectoral agreement containing an ALFI component or separate ALFI and Agrifoods agreements should be secured. Whichever option is chosen, the funding by both orders of government should be increased significantly.

The Maritime provinces were able to fund storage facilities and projects aimed at increasing the efficiency of feed utilization under their ALFI arrangements; unfortunately, these kinds of projects were excluded from the Newfoundland agreement by Agriculture Canada. It is strongly suggested that the provisions of the new ALFI be extended to cover storage facilities and improvements in feed grain utilization, so long as projects are consistent with the overall objective of the agreement. This modification would also allow the broiler, egg and hog industries to take advantage of the initiative.

The Task Force therefore recommends that

187. government, in concert with the Federation of Agriculture and the governments of the Maritime provinces, continue to negotiate a second Atlantic Livestock Feed Initiative agreement (ALFI) with the federal government;
188. programs under a new ALFI agreement provide assistance for forage land development, increasing land productivity, increasing the quality of forage, improving storage facilities and promoting the use of new technologies in feed utilization; and
189. given the proven success of the first ALFI agreement in Newfoundland, both orders of government commit significantly higher levels of funding to any new funding arrangement.

The Agrifoods Development Subsidiary Agreement A year after ALFI was signed, the two governments agreed on the format for the long-sought comprehensive agrifoods agreement. The Canada-Newfoundland Agrifoods Development Subsidiary Agreement, signed in June 1988, committed \$8 million on a cost-shared basis to expand and diversify the output of primary and

processed agrifoods commodities in Newfoundland and Labrador by promoting increased efficiency in production and marketing. The federal government invested \$5 million and the province, \$3 million, to be spent over a five-year period in five programs: Soils and Land Management, Technology Enhancement, Human Resource Development, Market Development and Information and Analysis.

People involved in the industry breathed a sigh of relief when this new agrifoods agreement was finally signed, but their frustrations were not eased. Producers had waited for many years for a comprehensive cost-shared agreement covering the agrifoods sector to be signed. They recognized that the continuity of programming during the 1978-84 agreement period had been broken (despite the two years when the province funded its own program), the agrifoods sector had fallen even further behind its counterparts in the Maritime provinces (which had managed to secure second-generation agreements), and the overall image and level of priority afforded agriculture in both federal and provincial public policy had sunk to even greater depths. The new \$8 million agrifoods agreement was a boost for local producers, but it was far short of the \$35 million agreement first proposed by the province in the early 1980s. During the period 1987 to 1993 (assuming no more cost-shared agreements are signed in the interim) the ALFI and Agrifoods Agreement combined will have contributed an average of \$2.5 million a year to agriculture. As there had been no cost-shared funds since 1984, the ALFI and Agrifoods Agreement funding of \$4.8 million and \$8 million respectively, should really be considered over the ten years from 1984 to 1993, making an annual cost-shared funding level of only about \$1.4 million.

The three agrifoods agreements signed since 1978 have had a total cost-shared funding value of just under \$20 million. This is far below the level of funding for all other resource sectors covered by federal-provincial subsidiary agreements in this province. Moreover, neighbouring provinces acquired considerably higher levels of funding for their agrifoods development agreements over this period, despite the fact that Newfoundland's farm cash receipts increased at an average annual rate of over 7% compared to 4% for the Maritimes and 2% for the nation as a whole. These points should be stressed during any future negotiations for a new cost-shared agreement.

The Agrifoods Agreement is at about the mid-term point but funds allocated for some programs (market development, technology transfer) have already been committed. Overtures have been made to the federal government to commence negotiations for a successor agreement to be signed in 1992 or 1993. The province does not want to repeat the experience of 1984 and have a period with no joint funding for agriculture. A new agreement should be in place at the expiry of the current agrifoods agreement, and in the meantime the Branch should negotiate an amendment to the current agreement to secure more funds. It should reflect the fact that agriculture is moving into the second stage of development and be oriented to promoting itself as an organized and integrated commercial sector: fostering co-ordination and co-operation within industries, promoting education, training and technology transfer, better marketing systems, further processing and agrifood product development.

Cost-shared sectoral agreements appear to be a sound mechanism to promote the agrifoods industries. Not only do they channel funds directly into the sector through identified programs, they require both orders of government and industry to work closely together. However, there is a fear among producers that the federal government may be moving away from comprehensive sectoral agreements towards more direct programming by the Atlantic Canada Opportunities Agency (ACOA). In 1988, ACOA took over the responsibility for the ERDA agreements in the Atlantic region, but the agency also has a mandate to promote regional development through direct funding and program delivery to industry.

Under ACOA's Action Program, funds are targeted to individual business enterprises. This does not normally require cost-sharing with the province, nor consultation with provincial departments, and it has the potential to cause duplication and conflict in agrifoods programming should the federal and provincial governments implement their own policies and programs without consulting one another. Furthermore, primary production is excluded from ACOA's Action Program. Thus, farmers see themselves as being excluded from a major source of government assistance. Producers also have concerns about a possible shift in program emphasis by the federal government away from comprehensive cost-shared sectoral agreements and away from direct federal programs.

The Task Force agrees that such a shift in emphasis might be detrimental to the industry; however, it has found no evidence to suggest that this is occurring. In 1984, when ERDA was signed, the federal government promised to spend \$70 million annually in Newfoundland and Labrador under various cost-shared agreements. For several years, total annual funding came nowhere near this target. However, recently, there has been an increase in the annual levels of funding and in the implementation of new ERDA agreements. Since 1987, federal funding has exceeded \$60 million annually (excluding the "roads-for-rails" transportation agreement). Despite the federal government's viewing the Hibernia development and the transportation agreement as regional development programs which should be included in the calculations of annual funding levels, the Task Force believes that cost-shared ERDA funds should continue to be allocated through sectoral agreements. Furthermore, there appears to be a serious interest on the part of the federal government to enter into negotiations for a new cost-shared agrifoods agreement for Newfoundland and Labrador.

One of the dangers of negotiating cost-shared agreements, particularly when there is no set provincial policy framework in place, comes in determining which programs should be included for cost-sharing. When the federal government offers 70% or more of the funding for an agreement, it also sets out the criteria for the kind of program it is willing to cost-share. Programs which the province believes are important and may want to include in an agreement may be rejected by the federal government. Because the province may have committed as much funding as it can to the agreement, programs not cost-shared may be put aside and not implemented at all in favour of acquiring as many "70-cent federal dollars" as possible. This means the province alters its overall policy and that federal priorities become provincial priorities.

Despite the province's current financial position and the importance of every dollar of federal assistance to the development of the agrifoods sector, the province must not fall into the

trap of altering its agrifoods policy objectives and programs merely to secure more federal dollars in a cost-sharing arrangement. Priority programs for the agrifoods sector must be implemented, even if it means they are funded entirely by the provincial government and the total cost-shared allocation is reduced.

Partly because agriculture is a shared jurisdiction and each order of government has different responsibilities, intergovernmental co-operation in agricultural development has been necessary and, for the most part, federal-provincial relations have been co-operative and cordial. This is in contrast to certain other resource areas where the federal and provincial governments have been at odds for many years. The cost-shared agrifoods agreements are the main instruments of federal-provincial co-operation, but they are by no means the only means by which governments co-ordinate their agrifoods development activities.

There are two federal-provincial arrangements which do not receive the same public visibility as the comprehensive cost-shared agreements. They are relatively recent, much lower in total value and are targeted towards very specific program areas. However, they are important contributors to the advancement of the agrifoods sector in this province. The federal and provincial governments have agreed to spend a total of \$200,000, shared equally over the three years between 1990 and 1993, on projects related to agricultural soil and water conservation. This agreement was arranged under the National Soil Conservation Program developed primarily to assist Western Canada perform much-needed soil preservation work. Newfoundland's share of the funds was determined by identifying its needs compared to those of other parts of the country.

Recently, the province obtained a federal commitment to spend \$500,000 over the next two years on sustainable agriculture projects in Newfoundland and Labrador for which the province is expected to contribute matching funds. These funds may be used to promote environmental management by such means as upgrading livestock farmers' manure handling systems. Unfortunately, the Agriculture Branch and the Canada Employment and Immigration Commission (CEIC) were unable to negotiate a cost-shared funding program for farm management and training. As the National Task Force on Farm Finance and Management will probably be recommending that Agriculture Canada offer the provinces cost-shared funds for farm management and training programs, government should enter into negotiations with the federal government at the first available opportunity. These special agreements, in addition to the safety net programs (such as crop and livestock insurance) have an extremely important role to play in the development of agrifoods in this province. Future federal-provincial arrangements could be used with great effect to channel funds and resources into major areas such as farm management and training, Green Plan projects, marketing systems and further processing. However, these types of specialized agreements should complement, not replace, the comprehensive sectoral agrifoods agreements, particularly in Newfoundland and Labrador where the sector is in the second phase of development.

Similarly, the Agriculture Branch has proposed that certain agricultural projects be funded under the federal Fisheries Alternatives Program (FAP). This program administered by ACOA is designed to offset the recent decline in the fishing industry by providing funds for alternative employment projects. Activities such as improving regional pastures were considered by the

Branch to be appropriate for meeting the objectives of the program. However, any project in the agrifoods area may be considered as eligible so long as it meets the objective of offsetting the negative employment impacts resulting from a decline in the fishery. The Task Force suggests that the Branch and industry work co-operatively to identify areas and projects which may be eligible for funding under the FAP.

The Task Force therefore recommends that

190. The Agriculture Branch, with the co-operation of the Intergovernmental Affairs Secretariat, enter into negotiations with ACOA and Agriculture Canada for a comprehensive cost-shared agrifoods development agreement. This agreement should come into force upon the expiration of the current federal-provincial agrifoods agreement.

Agricultural Trade Issues There is considerable co-operation on trade issues among the Agriculture Branch, the Department of Development, the Intergovernmental Affairs Secretariat, External Affairs, Agriculture Canada and other federal agencies. While Newfoundland's agrifoods industries may not be particularly export-oriented, the current round of negotiations at the General Agreement on Tariffs and Trade (GATT) is important to Canada as a whole and the results could have significant implications even for the domestically oriented agrifoods sector. For example, there have been some doubts expressed by federal ministers about Canada's ability to come out of the GATT talks without having to make some adjustments to the nation's supply-management production systems. Industry officials are particularly concerned that any commitment at GATT by the Government of Canada to tinker with supply-management could be disastrous for certain Canadian industries and for agrifoods sectors in various provinces. However, the 1990 round of the GATT talks have broken down largely because of the European Community's intransigence over its position on subsidies, and American insistence that world agricultural trade be liberalized. The apparent failure of GATT is likely to lead to a global trade war over agricultural products.

The GATT negotiations, along with the impact of the Canada-United States Trade Agreement and the provincial governments' commitment to reduce interprovincial trade barriers to the movement of goods across Canada's internal boundaries, all necessitate a close working relationship between the federal and provincial governments in the extremely diverse and complicated area of trade policy. It is imperative that neither industry nor government be lulled into a false sense of security by thinking that because the agrifood products of Newfoundland and Labrador are generally not traded elsewhere in Canada or abroad, this province will not be affected by changes in international or national trade rules. It must be remembered that the slightest shifts in Canadian product marketing can have significant implications for the pricing and distribution of Newfoundland's agrifood commodities. It is imperative, therefore, that government not only keep abreast of events as they occur in the trade arena, but also plan in advance to outline the possible impacts of such events. For example, what would happen to the province's regulated industries if Canada's supply-management systems were modified or eliminated? How would the livestock industries survive if transportation subsidies (such as Feed

Freight Assistance) were eliminated? If a global trade war in agrifood products were to be the outcome of the GATT negotiations, what would be the impact on commodity pricing in this province?

Currently, the Agriculture Branch is only able to devote resources to trade matters on an *ad hoc* basis, although for key agrifood trade issues, Branch staff do keep abreast of current events. There is a good working relationship on trade policy development between the Agriculture Branch, the Department of Development and the Intergovernmental Affairs Secretariat, yet the Branch relies heavily on Intergovernmental Affairs for much of the policy research which ultimately becomes the province's policy position on trade. The Task Force urges the Agriculture Branch to devote more resources to basic agrifoods trade research and to developing its own trade policy objectives which then will feed into the province's overall trade position. In particular, the Branch should undertake a detailed assessment of the possible implications for the provincial agricultural industries arising from the federal and provincial Agriculture Ministers' resolve to reduce interprovincial barriers within the sector.

The Task Force therefore recommends that

191. the Agriculture Branch, the Department of Development and Intergovernmental Affairs pay specific attention to international agrifoods trade issues, particularly the GATT negotiations and the Canada-United States Trade Agreement; and
192. the Agriculture Branch, through a newly established Policy and Research Division, acquire staff expertise in agrifoods trade matters to perform research, analysis and policy development covering international and interprovincial trade issues.

Federal Government

Agriculture Canada The federal government's principal policy and program delivery agency for the agrifoods sector is Agriculture Canada, which in Newfoundland and Labrador has three main branches:

- the Agriculture Development Branch, which is responsible for agrifoods policy development and analysis and has the leading role in managing intergovernmental agreements;
- the Research Branch, which is responsible for the operation of the St. John's West Research Station and for maintaining an agricultural research capability in Newfoundland and Labrador; and
- the Food Production and Inspection Branch, which is responsible for protecting the marketability of commodities by enforcing agricultural, food and forest product regulations.

Each of these branches of Agriculture Canada operating in Newfoundland and Labrador has specific responsibilities under the department's mandate and all demand, in varying degrees, co-operation with the agrifoods industries and the provincial government. The Research Branch and the Food Production and Inspection Branch's roles in this province have been referred to in

earlier chapters of this Report, and their contribution to the development of the local agrifoods industries should not be underestimated. From a policy development perspective, however, the local office of the Agriculture Development Branch is the federal department's principal agent. This branch has considerable power to determine how the federal government will approach the development of the agrifoods sector in Newfoundland and Labrador.

The Agriculture Development Branch was established in the early 1980s with headquarters in Ottawa and offices in each province. Originally it was a policy and development branch only with no program responsibilities. Because of the federal policy change which eliminated DREE as the main federal regional development agency, the Branch assumed some of DREE's responsibilities for managing agrifoods agreements. In recent years, the Agriculture Development Branch has become increasingly preoccupied with the ERDA process and with other departmental program developments to the point that it has evolved into an operational and program-oriented division of Agriculture Canada.

In Newfoundland and Labrador, the Agriculture Development Branch has a small staff geared principally towards overseeing the two cost-shared agreements. However, even with limited funding, the Branch has undertaken policy analysis and studies in various areas of agrifoods development, particularly where the province does not possess specific expertise: in secondary processing and food product development. Some of this work has been performed in consultation with the province and industry and it has been valuable in that it has attempted to develop a body of knowledge on the downstream activities of the agrifoods system. Between the expiry of the Agricultural Development Subsidiary Agreement and the signing of the ALFI Agreement, there was a shift in the role played by the parties to agreements. DREE disappeared and Agriculture Canada assumed the role of the leading federal agency in federal-provincial cost-shared programming. For the Agriculture Development Subsidiary Agreement, the province prepared the original proposal, submitted it to the federal government and, through negotiations, both governments agreed on a set of programs that could be cost-shared. Throughout the agreement, project planning and implementation were the responsibility of the province, but federal departments were consulted extensively during the planning, implementation and evaluation stages. The agreement was managed by a federal-provincial committee which was responsible for overseeing all project proposals and for evaluating the agreement at various stages of implementation.

By the time the ALFI agreement was signed in 1987, Agriculture Canada was insisting that it become more directly involved in planning, implementing and evaluating cost-shared programs and projects. Federal-provincial sub-committees were established for all programs under the ALFI and the second Agrifoods Agreement to work with the industry to identify projects which could be funded by the agreements. This was a significant departure from the earlier procedure where the province alone was responsible for program and project development. It could be argued that given the need to strengthen federal-provincial co-operation in agriculture programming, joint planning and implementation would benefit the sector and allow for agreements to be managed more effectively. Furthermore, the federal government was still committing most of the funds in cost-shared arrangements and, therefore, it should rightfully have a major say in how programs were developed and agreement funds allocated.

For the most part, the ALFI and Agrifoods Agreements have been managed in a cordial and co-operative manner through the federal-provincial sub-committee process. The six Management Committee members who oversee both agreements have carried out their functions expeditiously and projects funded have been well planned and implemented efficiently. However, there has been a significant degree of frustration on the part of the province at the demands placed on provincial officials to fulfil federal requirements for program planning and administration. With the province having a limited staff complement, the administration of cost-shared programs must be streamlined so that field staff's and specialists' time, not to mention industry's time, is not caught up unduly in red tape.

The mandate of the Agriculture Development Branch has been under review by Agriculture Canada and some overall modifications of the Branch's operations are imminent. It appears that the Branch will be re-oriented to serve two principal functions: to provide corporate support and industry support. Corporate support includes ensuring that planning, policy formulation and program development and management activities are founded on a sound knowledge base and that program impacts in other regions are taken into account. Information, intelligence and analysis, policy support and federal-provincial initiatives will be the basic components making up the Branch's corporate support mandate. The industry support component includes developing and managing programs and services aimed directly at assisting industry. This involves providing assistance through regional and national programs (such as ERDA and other joint programs) and adjustment initiatives (such as the Special Atlantic Livestock Initiative and the Farm Debt Review Board).

As part of the department's review, an assessment of the roles and responsibilities of the federal and provincial governments is being undertaken. Agriculture Canada is hoping this assessment will lead to a clearer distinction between the types of services provided by the two governments, thereby reducing or eliminating duplication in government programs. This could lead the Agriculture Development Branch to withdraw from involvement in some types of services. The review of the Agriculture Development Branch's activities will probably suggest that the department continue to develop and manage corporate and industry support activities (although many of these activities may not be actually delivered by the Branch itself), recognizing the federal government's need to assure appropriate visibility and recognition of its contribution to agrifoods development in the provinces. The Task Force stresses the need for the federal Agriculture Development Branch to work closely with the provincial Agriculture Branch in developing positions on policy related to agrifoods in Newfoundland and Labrador.

The review of the Agriculture Development Branch is timely, given the overall federal agrifoods policy review process and the review of the St. John's West Research Station recently completed. It would appear that the federal government wants to promote greater relevance and harmony in Agriculture Canada's areas of responsibility for provincial agrifoods development. The Task Force does not want to interfere with how the federal government conducts its business through its departments and agencies, but it is suggested that if the Agriculture Development Branch were moved from its office in the downtown area of St. John's to the St. John's West Research Station, immediately adjacent to the provincial Agriculture Building, there could be considerable benefits to both governments through closer contact and day-to-day co-operation.

The Task Force therefore recommends that

193. the administrative procedures for managing cost-shared agreements be streamlined so that programs and projects are implemented effectively; and
194. government support the revised role of Agriculture Canada's Agriculture Development Branch by establishing close liaison on policy issues of mutual interest.

Federal Agrifoods Policy Review Process In 1989, the federal Minister of Agriculture initiated a comprehensive review of the federal government's policy framework for the agrifoods sector. Its report, *Growing Together*, outlined the federal government's views on how an agrifoods policy which reflects changing national and international priorities should be developed for Canada. *Growing Together* identified four basic pillars of future agrifoods development:

- greater market orientation;
- more self-reliance within the market place;
- equitability and regional diversity; and
- environmental sustainability.

In December 1989, a policy conference was held in Ottawa to debate the issues outlined in *Growing Together*. From this meeting, attended by over 1,000 federal, provincial, industry and special interest group representatives, several federal-provincial-industry task forces were established to review key agrifood policy-issue areas in more detail. Separate task forces were created (and in some cases existing task forces or committees were used) to review policy issues in areas such as safety nets, farm finance and management, transportation and supply management. Most of these either have reported or are in the process of completing their reports.

The Task Force was somewhat sceptical initially at the direction for agrifoods outlined in *Growing Together* and at the immediate outcome of the policy conference of December 1989. There was concern that *Growing Together* reflects the federal government's passive acceptance of international trends in agricultural production and trade, an acceptance which indicated that the Government of Canada would not be basing its agrifoods policy on Canada's needs and requirements, but on the whims of the international community. The federal report's almost dogmatic insistence that market forces, export-orientation and international competitiveness should drive our industries was surprising. *Growing Together* implies that Canadian agriculture will have to streamline itself towards international market conditions; this may be fine for those parts of the country which are heavily export oriented, but there is little accommodation for regions where agriculture represents something other than merely an instrument to reduce the nation's balance of payments problems. This concern was heightened by the impression that the third pillar in the report – recognizing regional diversity – appeared to have been a last-minute addition to the policy document.

In December 1989, the Task Force met with the Honourable Don Mazankowski, federal Minister of Agriculture, and subsequently with senior officials of Agriculture Canada. The Minister was extremely supportive of the Task Force's work since it complements activities

taking place at the national level. Thus, the federal government has provided considerable support for and input into the work of this Task Force. This seems to come out of the federal government's sincere desire to see Newfoundland's agrifoods policy take shape in concert with the evolving federal policy, and to encourage this province to promote a strong agrifoods sector with the same kind of "pillars for development" identified in *Growing Together*.

While the Task Force's views of *Growing Together* as an initial policy document may not have changed, it regards the federal review process as a beneficial exercise which is using consultation to great effect. Previous attempts to formulate a federal agrifoods policy were undertaken largely in isolation from the provinces and industry. It was suspected that the federal government's main purpose during past efforts was to identify areas where programs could be delivered directly by federal agencies and thereby raise the visibility of these agencies. The lack of consultation with the provinces and industry lowered the credibility of such efforts.

The federal government has stated it intends to use all of the federal-provincial-industry task force reports to formulate its comprehensive policy on the agrifoods sector; it hopes this policy will be adopted by provincial governments and acceptable to all agrifoods industries and commodity groups. The Task Force on Agrifoods has monitored the progress of these federal-provincial-industry task forces and has had joint meetings with those that have visited this province for consultation. The Task Force is impressed at the extensive analytical and review work being carried out by these groups and at the high degree of co-operation and dedication shown by task force representatives in their respective areas.

Despite doubts being expressed about whether the federal policy will really contain any new directions for Canadian agrifoods, such a comprehensive federal agrifoods policy must be used, at least in part, by provincial governments and industry to guide their policies and programs. Certainly, it will not be possible to ignore this policy in future federal-provincial program development. Therefore, it is up to the Government of Newfoundland and Labrador and industry, through their participation in the task force process and at intergovernmental meetings and conferences, to ensure that any new comprehensive federal policy on agrifoods takes into account the developmental objectives of the agrifoods sector in this province.

The Task Force therefore recommends that

195. government and industry continue to participate in the federal agrifoods policy review process and ensure that the national policy arising out of the review reflects this province's priorities for development.

The Atlantic Canada Opportunities Agency Other federal agencies, both in this province and in Ottawa, such as ACOA, Environment Canada, Industry, Science and Technology Canada, Employment and Immigration Canada, the National Research Council and the Department of External Affairs, all have specific responsibilities in the agrifoods area which have an impact on Newfoundland and Labrador. Of these, ACOA has a significant and growing relevance to the agrifoods sector of Newfoundland and Labrador; the Task Force would like to comment on this connection.

ACOA was created to support and promote economic development opportunities in Atlantic Canada, with particular emphasis on small and medium-sized enterprises. ACOA has promoted agrifoods development through sectoral co-operation (cost-shared) agreements with the province and through the provision of capital contributions, buy-downs and loan insurance to processing industries under the Action Program. Under the Action Program, primary production activities in this province are not eligible for assistance since they can be served by other federal and provincial programs, including the co-operation agreements. However, processing and certain service activities related to primary production are eligible: produce cleaning, grading and packaging; repair services for farm equipment; food processing, packaging and storage; and specialized services to non-profit farm organizations. This means that individual farmers may not apply under the Action Program for support, but groups of farmers and organizations like co-operatives and formalized companies are eligible.

In 1988, ACOA recognized that the fur industry fits well with the province's climate, its seasonal economy and its resource base. Between February 1988 and May 1989, ACOA offered approximately 66 fur farming businesses a total of \$2.1 million of assistance under the Action Program to help build a "critical mass" of fur farmers in the province. Thereafter, the agency placed a moratorium on further direct support because it believed its objective had been accomplished. Some indirect support to the industry, such as funding a marketing study and assisting in the development of a training program for fur producers, has continued. In 1989, ACOA also concluded that adequate red meat processing capacity exists in Atlantic Canada and it stopped providing direct support for capital expansions.

The Task Force understands the reasons behind ACOA's decision not to fund primary production activities, and subsequent decisions concerning the fur and red meat industries. While it agrees that a "critical mass" of fur farmers may well have been reached and that there may be adequate processing capacity in the region's red meat industry, the decision to exclude these areas from the Action Program after the program had been in effect for some time is unfortunate. The Task Force would have preferred that the agency continue to accept applications in these areas and that each proposal be assessed on its merit, using the same commercial and financial criteria for assessing proposals as in other sectors. Again, ACOA's decisions seem to have been influenced by the same poor image of agriculture that has been decried elsewhere in this report.

According to ACOA, agricultural processing industries are eligible for support through the Action Program, but only under certain conditions. Only groups of producers, not individual farmers, can apply and only processing activities, not primary production activities, are eligible. The Task Force recognizes that farmers can be supported by other programs, yet so can individuals in other resource industries, such as the fisheries, where facilities for individual fishermen to clean and grade their catch have been funded in part by ACOA. While agriculture should not be protected by any special status it may have acquired over the years, the corollary is that producers should not be denied access to benefits offered other industries merely because they perform agricultural work.

It is not generally known throughout the Newfoundland and Labrador farming community that ACOA will provide support to agricultural processing activities and will fund support

services. Time and time again participants at the public hearings stated that ACOA will not fund projects connected with agriculture unless they relate specifically to food processing. There are two messages that follow from this perception. The first is that ACOA may need to disseminate information about its programs more widely (perhaps by preparing industry-specific promotion brochures), defining precisely what activities are eligible, the nature of the assistance offered and any other conditions or criteria to be fulfilled by applicants. The second message is to the farming community: it is the responsibility of producers to find out the full range of assistance programs available to them, and there should be no confusion about whether or not a key federal agency like ACOA supports agriculture.

The main themes on which ACOA will be focusing its activities in the coming years are

- entrepreneurship (key theme)
- innovation and technology transfer (key theme)
- marketing and trade development (key theme)
- human resource development (key theme)
- the environment (key theme)
- resource competitiveness (supporting theme)
- rural diversification (supporting theme)
- strategic infrastructure (supporting theme)

All of these themes are complementary with Agriculture Canada's policy review and with the contents of this report. Government and the industry should therefore capitalize on these target areas in future policy or programs. In particular, to ensure greater co-ordination among ACOA, Agriculture Canada, and the provincial Agriculture Branch, the Task Force proposes that ACOA be encouraged to solicit the views of both agencies before any major decision is made regarding agrifoods development, including specific project proposals. It is appropriate as well that the Agriculture Branch formally discuss with ACOA any major policy or planning decisions being contemplated in the agrifoods area as a result of this report or other program services.

The Task Force therefore recommends that

196. government request ACOA to treat the agrifoods industries as it treats all other industrial and commercial industries, and that ACOA treat the Newfoundland and Labrador agrifoods sector as it treats that of the Maritime Provinces.

Provincial Government

The chief provincial agency for agrifoods development is the Agriculture Branch of the Department of Forestry and Agriculture. However, other departments and agencies in the provincial government do have some development responsibilities which affect the agrifoods sector, such as the Department of Development (trade, investment and industrial promotions), the Department of Environment and Lands (land use, water development and planning), the Department of Employment and Labour Relations (employment promotion and labour standards),

the Department of Health (community nutrition) and the Enterprise Newfoundland and Labrador Corporation (regional development and enterprise creation). While each of these provincial departments and agencies have their own mandates, it is incumbent on the Agriculture Branch to be aware of all provincial activities applicable to agrifoods development, to provide input into those activities and to plan Branch activities, taking into account the policies and programs of these other provincial agencies.

It is the Task Force's impression that there are few strong links between the Agriculture Branch and other provincial departments and agencies. This is not unusual for any bureaucracy where sectoral responsibilities are compartmentalized in various departments. Furthermore, agriculture may not be seen by other departments as a high priority and the Branch's physical separation from the rest of government may impede day-to-day contact and co-operation. At the public sessions it was claimed that agriculture staff working in the field do not have a close working relationship with field staff in other departments and that Agriculture Branch field staff and regional representatives of the Department of Development sometimes work at cross-purposes.

The Task Force suggests that greater co-operation between the Branch and other departments and agencies which have a responsibility for agrifoods matters be encouraged and that these other agencies be made fully aware of all key components of the province's agrifoods policy and programming. The Department of Development, for example, has a mandate to promote the industrial sector of this province at home and abroad. Development staff regularly attend international trade fairs and conventions, often in the food area, and they act as trade ambassadors in their dealings with foreign governments and industry. This Department would seem to be one of the prime candidates for promoting, with the Agriculture Branch, special links which would help to fulfil the objectives of both agencies' mandates.

When the Agriculture Branch is dealing with food issues in a national and international trade or promotions context, it goes without saying that a special relationship should exist between the Branch and the Department of Fisheries. The Task Force suggests that this relationship be strengthened considerably so that the Branch and the Department of Fisheries, the two provincial jurisdictions having responsibility for food product development, are working from the same general perspective. Developing joint promotions and other related projects appear to be in order.

The recent establishment of the Enterprise Newfoundland and Labrador Corporation (ENLC), under the auspices of the Economic Recovery Commission, provides a good opportunity for promoting inter-departmental co-operation in agrifoods matters. The new agency has a mandate to promote regional and enterprise development through five regional offices, each headed by a Vice-President; this represents a decentralization of government's development services out of the capital city and into the regions. The Agriculture Branch should establish a strong working relationship with the ENLC, especially in the regions of the province where both agencies' field staff will be crossing one another's paths regularly.

There are several areas of agrifoods development where the Agriculture Branch comes into regular contact, and often conflict, with other departments. For example, in the general area of regulation, the Department of Environment and Lands has a responsibility to implement the

province's *Environmental Assessment Act* under which agricultural projects may have to be reviewed for adverse environmental impacts. Manure handling and other agricultural waste issues, the storage and use of pesticides, herbicides and agricultural chemicals, the protection of water courses from contamination and the impact of farm odours on surrounding populations are just a few examples of areas where the paths of the two departments cross, often in a conflicting or contentious manner. The establishment of a close, co-operative relationship with the Department of Environment and Lands may help to minimize these conflicts.

Moreover, the Department of Environment and Lands also has responsibility for Crown lands administration and for wildlife management. In the development of Crown land for agricultural use and where agrifoods activities extend into the area of wild game and animals, the two departments' objectives sometimes conflict. These conflicts between departments are not unusual in any government where one department is responsible for resource development activities and another is primarily a regulatory agency. The nature of this relationship, however, requires regular co-operation and co-ordination between the Agriculture Branch and the Department of Environment and Lands to ensure that conflict is minimized and that each department understands the aims, objectives and programs of the other.

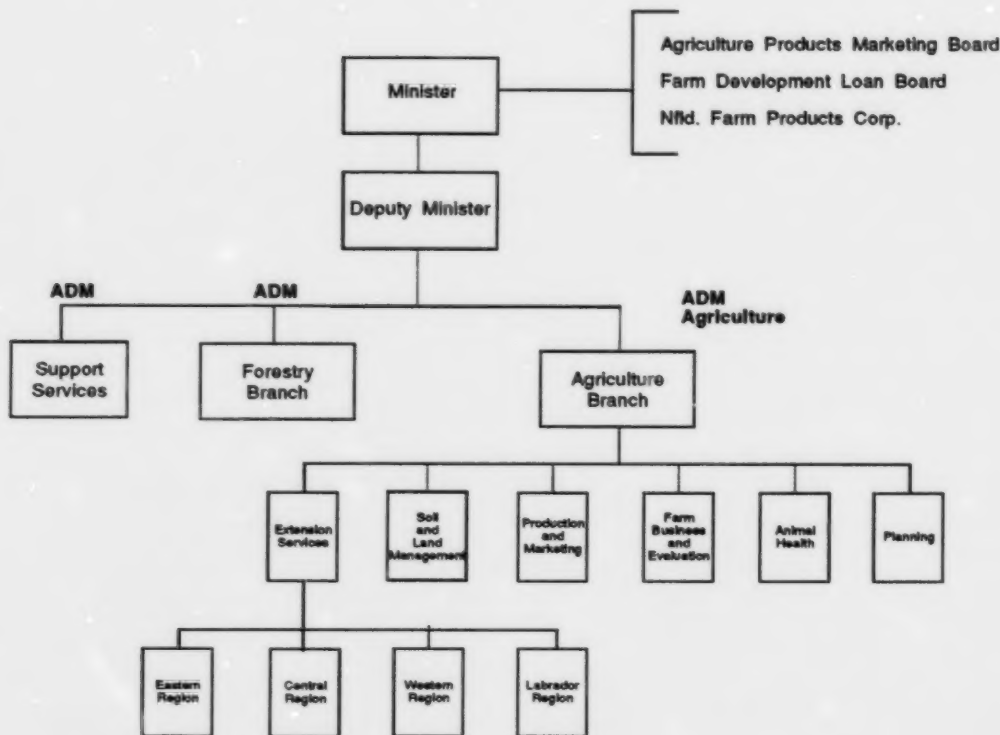
One of the areas where the Agriculture Branch encounters conflict is within its own department: with the Forestry Branch of the Department of Forestry and Agriculture. There is, for example, competition between the two branches over the use of land suitable for both agriculture and forestry, and over the rights of the Forestry Branch concerning wooded areas on agricultural lands. It is unfortunate that there is such conflict between the two branches of the same department and between two sectors which have so much in common (they both promote the growth and harvesting of plant species). The union of the two branches into one department should be used as a means of fostering inter-branch co-operation through regular discussions among staff, joint meetings and seminars, and in joint policy and program formulation.

The Task Force therefore recommends that

197. strong co-operation be established by the Agriculture Branch with the Department of Development and the Department of Fisheries in the promotion of food commodities at home and abroad; and
198. the Agriculture Branch and the Forestry Branch of the Department of Forestry and Agriculture actively work at resolving their conflicts and maximizing their joint strengths through day-to-day co-operation, more inter-branch discussion and joint policy formulation.

The Agriculture Branch The Agriculture Branch has responsibility for developing policy and implementing programs for the development of the province's agricultural industries. (See Figure 12.1.) The Branch consists of six divisions, each with its own mandate:

- the Production and Marketing Division is responsible for horticultural and livestock production systems and marketing initiatives. Through the use of staff specialists in areas such as poultry, livestock nutrition, small fruits and crops, the division also



provides expert assistance and advice to industry and government;

- the Soil and Land Management Division encourages the sound management and preservation of agricultural land and related resources and it promotes the orderly development of the agricultural land base. The division operates the Soil and Plant Laboratory as a service to government, industry and the public;
- the Extension Services Division provides a decentralized extension service system for the industry, providing support, assistance and advice on programs and policies.

industry organization, information and data, human resource development and production methods, etc.;

- the Farm Business and Evaluation Division provides direction in the orderly development of the industry by offering financial and management programs and policies for on-farm development;
- the Animal Health Division provides services to the industry and the public in the area of animal health: veterinary services, disease diagnosis and control, control of human health hazards in agricultural and other animal products ; and
- the Agricultural Planning Division is responsible for the co-ordination and administration of cost-shared agreements and for certain agricultural shows and exhibitions.

Furthermore, the Agricultural Products Marketing Board, which administers the *Natural Products Marketing Act* under which certain agricultural commodities are regulated, the Farm Development Loan Board and the Newfoundland Farm Products Corporation all operate under the authority of the Minister of Forestry and Agriculture.

During the public consultations and in private meetings of the Task Force, many opinions were expressed about government's involvement in the agrifoods sector and, in particular, about the role played by the Agriculture Branch. The comments made, positive and negative, indicated that producers, processors and workers in the food distribution industries and regional development agencies also recognize the importance of the Branch to the development of the sector. Most people were constructive in their criticism and equally sincere in their praise of the Branch, but there are several suggestions that the Task Force would like to make about the Agriculture Branch and its operations which may be helpful in future planning and in policy and program development. These comments focus primarily on relations between the Branch and its clients, its role in public policy development and program implementation, agrifoods promotion activities and Branch structure.

It has been noted earlier in this report that the development of the agrifoods sector has been impeded for many years by a lack of a comprehensive policy and strategy. This policy void served also to constrain the Agriculture Branch in its own dealings with government. In the 1980s, as the first agriculture agreement was winding down and the province's fiscal position was weakened by the recession, the Branch found it increasingly difficult to persuade government decision-makers to support agricultural programming. Several key submissions to government were not set within a consistent policy framework for agrifoods, and government did not accept the often-used justification for supporting the sector: agriculture requires public support because industries have only recently emerged as commercial enterprises, in contrast to 400 years of fisheries development. Decision-makers' questions about why government should continue to invest funds annually amounting to about 50% of the total value of all commodities produced (as measured by farm cash receipts) could not be answered to their satisfaction. Consequently, government's doubt about the wisdom of investing more funds into agriculture overrode the Branch's arguments, a second cost-shared agreement was not signed and the federal government picked up the hint that the province was reassessing its commitment to agriculture.

To complicate matters, the image of agriculture deteriorated even more during the mid- to late-1980s. At this time, the annual losses at Newfoundland Farm Products began to rise and the subsidies to the hog industry increased, just when the number of producers was shrinking. These subsidies were being seriously questioned by government decision-makers, as there appeared to be no realistic chance that the hog industry and the province's only meat-processing plant would ever become self-supporting. Government was looking for a way out of what it felt was a constant drain on the public purse. The argument put forward by the Agriculture Branch, that agriculture could be a viable sector with targeted government investment, had been severely damaged.

The experience of the Task Force in consulting with various provincial departments and agencies is that this negative view of agriculture is still widespread. There is considerable scepticism within government about the viability of the agrifoods sector; the losses at NFPC, the hog and broiler subsidies and the failure of the Sprung hydroponic facility (not a project sponsored by, or even approved by, the Agriculture Branch) reinforce that scepticism.

The point is that the Agriculture Branch has implemented its programs over the years with an enormous millstone around its neck. The industry criticizes it for not devoting adequate resources to promote the sector, but the Agriculture Branch has difficulty convincing its own decision-makers to provide those resources. This situation will become even more critical in the following months if the province's economic strength deteriorates further. Therefore, the Agriculture Branch has to pay special attention in the future to matters of policy in its dealings with all other government departments and agencies. Put simply, the Agriculture Branch has as much of a selling job to do within government as the industry itself has in overcoming the negative perceptions of agriculture in the business community and with the public.

The Agriculture Branch is one of very few in government which does not have a division devoted to the formulation of policy planning or research. The existing Planning Division has one person and focuses on the management of the cost-shared agreements. Agriculture Branch staff are seconded from their regular positions when special research projects or the development of a particular policy is required. When the Agriculture Branch was in the Department of Rural, Agricultural and Northern Development, a research and analysis unit provided services for the department, but only for the Rural Development and Northern Development divisions, not for the Agriculture Branch. Similarly, in the Department of Forestry and Agriculture, a policy-planning group handles forestry matters, but not agriculture. The Agriculture Branch has functioned without a policy-planning or research division for many years and this has been a definite handicap.

The Agriculture Branch does deal with certain policy matters in an adequate fashion. National and international policy issues, for example, are monitored frequently and the department keeps abreast of major federal agrifoods activities. This is largely the result of the Agriculture Branch's executive, directors and individual staff members providing policy development functions themselves. Time taken for these duties inevitably detracts from their normal duties. The Task Force suggests that a policy-planning and research division be established in the Agriculture Branch to be responsible for all policy formulation and research

activities. It will allow the Branch to be anticipatory rather than reactive, and will ensure that the province has prepared positions on any issue which may arise. A research capability can also be useful in preparing a good, solid data base for agrifoods activities in Newfoundland and Labrador, a vital tool in policy planning, program development and project implementation.

There is a feeling within the agrifoods industries that the Agriculture Branch is not sufficiently responsive to their needs. At the public hearings, it was stated that field staff are isolated from the rest of the Agriculture Branch because the lines of communication between headquarters in St. John's, through the regional offices to local agriculture representatives, are tenuous. The industry is demanding immediate attention to its problems and to requests for information, but field staff cover extensive areas of the province and can be on the road for days at a time. There are several ways Agriculture Branch field staff can be more responsive to their clients. The solution requires examining alternatives for equipping field offices with the appropriate technological and telecommunication facilities which would link them directly with regional offices and headquarters. In particular, the new Enterprise Network on-line computer information and communications system may offer unlimited possibilities. The system was developed by the Newfoundland and Labrador Development Corporation (NLDC) to provide communications and information transfer among distant parties and it operates from offices across the province. The use of this kind of system could provide the Agriculture Branch with a means of maintaining regular contact among Agriculture Branch staff located in different communities, as well as a vehicle for transmitting data, policy directives and other information from numerous sources.

A mobile telephone system should also be considered for staff who are constantly travelling and for whom maintaining regular contact is important. To some, this suggestion, and the computerized information system proposed above, may appear extravagant. However, for many years the Agriculture Branch, through the agriculture agreements, has been encouraging the use of technology to improve producers' operations. It seems particularly appropriate, then, for the Agriculture Branch itself to recognize the benefits to be realized from the adoption of technology in promoting more effective services to the industry.

Industry also has the perception that the provincial Agriculture Building houses several hundred bureaucrats whose function is not entirely clear to producers. It has been suggested, for instance, that bureaucrats should engage in activities which would bring them into direct contact with those working in the agrifoods sector in order to develop a greater understanding of what it is like to be a farmer in this province. These comments are not surprising. Bureaucracies are nearly always open to the criticism that they generate armchair experts. However, Agriculture Branch staff have as much regard for the producers of this province as any department of government has for their clients, and levels of direct contact between staff and clients are relatively high, given budgetary constraints. Still, the Agriculture Branch should encourage as much direct staff-industry co-operation and contact as possible through meetings and conferences, personal communication and on-farm visits where appropriate. The perception by industry that the Agriculture Branch is not in tune with its needs has to be treated as a problem, and resolved.

Some concerns have been expressed about the overall levels of qualifications, training and skills of Agriculture Branch staff. Some producers requiring expert assistance feel that they are not well served by staff that may be under-qualified for the duties they are supposed to perform or may not be fully cognizant of the industries they serve. Again, this is a common theme in any government-client relationship, but the situation in this province may be aggravated by low salary levels for staff positions, the difficulties in attracting specialists to Newfoundland, government cut-backs in hiring and the lack of financial resources for professional development. The Task Force was surprised to find out, for example, that some specialists in the Agriculture Branch are classified on the salary scale at a much lower level than many in general analyst positions in other departments. Furthermore, almost all specialists in other departments are classified at higher salary levels and, overall, the Agriculture Branch ranks close to the bottom of all departments in the salary classification of employees. Given the difficulty in acquiring employees with qualifications, skills and experience in agriculture in this province, one would expect higher, not lower, classifications for Agriculture Branch employees. Therefore, it might be appropriate for a complete review to be undertaken of the classification levels of all Agriculture Branch staff in relation to equivalent positions in other departments.

The Task Force understands the need for top professional people to be employed in the Agriculture Branch and for those that are on staff to continue to develop their skills. It is important that staff have access to education courses, training and upgrading programs and professional exchanges. Skill upgrading is particularly appropriate when employees move to a higher level, or to a more specialized position. However, there is no substitute for hiring first-class people for specialist positions; therefore to attract the best people for the jobs, government has to raise its qualifications for new hiring and, correspondingly, increase its salary scales for specialist positions.

Although within the Agriculture Branch the number of specialists helping producers improve efficiency or address specific problems has increased in recent years, there is still a need for more specialization in certain commodity areas. Where Agriculture Branch specialists are employed, they service the entire province and can be inaccessible to the majority of producers day-to-day. The lack of funding and the limited size of specific industries is the reason given for there being only one specialist per commodity area. However, this is the time when specialists are needed more than ever. Many commodity areas are transforming themselves into modern, commercial industries in direct competition with industries in other parts of Canada. The trial and error method of development planning is too inefficient and expensive in this province, given limited financial resources. Government should ensure that specialist positions cover the full range of agricultural industries and that they can meet the industry's demands on their services.

Veterinary services provided to the industry have greatly improved in the last few years; however, the industry is served by too few veterinarians covering too large a geographical area. The distances covered by provincial veterinarians greatly increase the workload and reduce their effectiveness in dealing with emergency situations. The Task Force recognizes the difficulty encountered by the Agriculture Branch in attracting and keeping veterinarians in this province. In many cases, Newfoundland and Labrador is the training ground for new veterinarians who move on to other parts of Canada once their initial training period comes to an end. This problem

might be resolved by offering veterinarians better employment packages in order to retain their services. The best long-term solution might be to encourage Newfoundland and Labrador students, through career counselling and with adequate scholarships, to become veterinarians, in return for a commitment of longer-term service. The province has a set number of places allocated at the Atlantic Veterinary College in Prince Edward Island, for which it pays an annual grant, and these should be utilized to the maximum.

Another concern about the veterinary service is the lack of specialized medical facilities available to the industry. Veterinary facilities are adequate for general problems, but they do not seem capable of handling more acute situations, especially in the poultry industries. Given the size, economic worth and specialization of the poultry industry, there is an immediate need for a veterinarian trained in poultry pathology to be provided to that sector of the industry. The Task Force notes that the industry agreed a few years ago to cost-share with the provincial government the salary of such an individual. The lack of laboratory facilities for running tests is a problem and the time taken in obtaining test results from out of the province detracts from the diagnostic ability of the Veterinary Service. This situation causes the livestock and poultry industries to operate under conditions not experienced by farmers in other provinces. Good facilities could help the veterinarians prevent minor problems from becoming full-blown emergencies. Furthermore, Newfoundland farmers have to deal with many animal health problems themselves because of the constraints placed on provincial veterinarians. To prepare farmers to cope better with these situations, training sessions, including on-farm demonstrations to teach farmers the proper use and handling of drugs and simple medical procedures, should be regularly held.

The Task Force heard from several producers and agricultural organizations that cost-shared agreement funds were often used to pay for Agriculture Branch staff to attend conferences, training courses or other meetings. Their comment was that cost-shared funds should be used exclusively to assist producers and that Branch staff travel should be funded out of the department's own budget. The Task Force sympathizes with industry's view, especially as the agreements' human resource development budgets are in heavy demand. However, these agreements are cost-shared by both governments, meaning that during the negotiation stage, both governments agreed to commit a certain level of funding to the overall agreement and to each of the separate programs. As a consequence, the province placed in the cost-shared fund for each agreement, monies that it would normally have spent under its own human resource development program, including funds normally allocated to pay for staff travel to conferences and meetings. By allocating these provincial funds to the cost-sharing arrangement, the province obtains additional federal funds for those provincial dollars. Therefore, the Branch can only send staff to conferences and meetings by using cost-shared funds, unless more dollars are found within the department for such a purpose – an unlikely occurrence, given today's fiscal realities.

This kind of problem probably arises from a misunderstanding between government and industry over how agreements with the federal government are negotiated, and there are many other, similar misunderstandings which affect their relations. It is the responsibility of government to ensure that the agrifoods industries are fully aware of its policies, programs and agreements. The Agriculture Branch should disseminate information about its activities regularly, as it does in a limited fashion through the *Farm Forum* and other media. In particular, the

publishing of an annual report by the Agriculture Branch would apprise industry and the public of the full range of policies, strategies, programs and other activities undertaken by Branch staff over the course of a year.

The Task Force believes that the Agriculture Branch has established a good working relationship with staff of the federal agricultural agencies in Newfoundland and Labrador. However, there may be opportunities for even greater co-operation with Agriculture Canada's Agriculture Development Branch – co-operation which has occasionally been lacking largely because of uncertainty about the federal Branch's mandate, its emphasis on procedures and administrative details and the physical distance between the two offices. With the overhaul of the Agriculture Development Branch's mandate, federal and provincial activities will become less duplicative and more directed. Furthermore, streamlining federal administrative requirements for managing cost-shared agreements will enhance co-operation between the two branches, and the relocation of the Agriculture Development Branch closer to the provincial Agriculture Building would allow for much greater day-to-day contact on issues of mutual interest.

Compared to the Agricultural Development Subsidiary Agreement, the current cost-shared agreements appear to be bogged down with rules, regulations and procedures. This results in Agriculture Branch staff devoting considerable time to red tape activities – filling in forms, collecting data, program monitoring, implementation and evaluation, as well as assisting farmers conform to these procedures. The process for a producer to acquire funds from the agreements has become significantly more time-consuming and complicated: for example, in the market development program there are 13 steps to go through before cheques are issued by the appropriate committee managing the program. The Task Force suggests that the Agriculture Branch consult with the federal Agriculture Development Branch to streamline the implementation procedures.

The Task Force therefore recommends that

199. a Policy and Research Division which will provide policy formulation, program analysis and research services be created within the Branch;
200. the Agriculture Branch undertake a full review of staffing needs, covering both existing staff and future requirements;
201. the Agriculture Branch work towards upgrading the qualifications, experience and skills of existing and future staff by establishing minimum qualifications when filling positions, and through professional development, skills upgrading and education and training;
202. the Agriculture Branch upgrade its laboratory facilities for veterinarians and provide farmers with training on the use and handling of farm drugs and simple medical procedures; and
203. the Agriculture Branch ensure that industry is fully aware of the nature of all of its programs and the process employed in negotiating and implementing cost-shared agreements with the federal government. To this end, an annual report should be prepared by the Branch covering all aspects of Branch activities.

Agriculture Branch Structure The Agriculture Branch has been moved around from department to department over the last three decades and it has never been able to find its niche in any of the arrangements tried so far. There has always been a feeling in the Branch that agriculture has been the junior member of a large department and that other divisions have overshadowed it: Mines and Resources in the 1960s, Forestry in the late 1970s, Rural and Northern Development in the 1980s and now Forestry again in the 1990s. The imbalance between the size and importance of branches in any one department may not be as much of a problem as incompatibilities between the branches. While one might think that forestry and agriculture would make ideal partners (as in many European governments and other Canadian jurisdictions), the lack of mutual policy, areas where policy or programs conflict and a lack of direct communications between the Branches explain why the union is not working.

The Task Force's terms of reference provide it with a mandate to review government's institutional support for agrifoods and to suggest how the role of the Agriculture Branch may be made more effective. The Task Force has views about the Branch's placement within the government structure and wishes to comment on possible alternatives. However, it does so with the best of intentions, not to meddle in the internal affairs of government. Therefore, the following comments are suggestions for government's consideration.

The Task Force proposes that government's responsibilities for the agrifoods sector be located within a separate department. Because the province's agrifoods policy should accommodate all downstream activities related to agriculture and other related areas, the mandate of this new department should be much broader; therefore, the creation of a new Department of Agriculture and Foods, similar to those in place in Ontario, Quebec and some other provinces, would be an ideal arrangement. This would provide the Branch with the visibility it has been seeking for a long time and it would be a signal to industry that government is raising agriculture's profile within its public policy agenda. It would allow the Branch to operate with considerably more power and influence and to carve out for itself a legitimate resource policy and programming role.

The department could accommodate the following agrifoods-related responsibilities:

- primary agriculture;
- food processing and manufacturing;
- the agrifoods distribution industries;
- sustainable agriculture;
- agrifoods nutrition and food health; and
- agrifoods science and product development.

The proposed new department would mean that the current Agriculture Branch would have to be restructured and expanded to accommodate the various new areas of responsibility. However, sections of other departments and agencies should not be transferred to Agriculture: most of the responsibilities listed above are not being covered to any significant degree by other departments. The one exception is that the responsibility for nutrition and food health is covered partly by the Department of Health. The suggestion is that the new Department of Agriculture

and Food focus on the marketing and promotion aspects of nutrition (specifically as they relate to locally produced food commodities), food preparation and food service promotion. The new department's mandate should not encroach on the community nutrition activities of the Department of Health, nor should it duplicate Health's programs. Obviously, there is considerable scope for both departments to work closely together (and with industry) to their mutual benefit.

The Task Force recognizes that creating a new and separate Department of Agriculture and Food may not be realistic at this time. Government made a commitment to reduce the number of ministries and a restructuring of departments occurred within a year of its taking office. Government's current restraint program may also work against the creation of a new department, but the above suggestions are offered as goals for the Agriculture Branch, even if they remain long-term.

There are other, less-controversial, alternatives for locating the Agriculture Branch in a more appropriate departmental setting. The Task Force does not wish, however, to give the impression that the government's decision to re-unite forestry and agriculture was unsound or that the two branches have nothing in common. Rather, the Agriculture Branch might be more compatible with other departments of government which would allow its staff to operate more effectively.

As an alternative to creating a separate Department of Agriculture and Food, government might consider merging the Agriculture Branch with the existing Department of Fisheries to form a Department of Fisheries, Agriculture and Food. This merger would mean that the Agriculture Branch would be incorporated into a much larger, and seemingly more important resource development department, a tactic that in the past has not particularly benefitted the Branch. Yet, the fact that the Agriculture Branch and the Department of Fisheries both deal with resource-based food industries, have a high measure of complementarity between policies and programs and do not usually conflict with one another suggests such a merger would work well. The Agriculture Branch and the Department of Fisheries are also the only agencies with a mandate to develop and promote the production of food in this province, although some food items, particularly processed foods using imported raw materials, appear to be no single department's responsibility.

There is a high degree of compatibility between the two agencies in basic principles of resource management and harvesting, food processing and distribution, product marketing and promotion and in the research, development and science areas. It is well understood, for example, that aquaculture enterprises have more in common with certain livestock industries than they do with the wild fisheries and that aquaculture experts are often trained in Poultry Science. The fisheries-agriculture merger would allow for joint services and for certain divisions to cover both sectors. One Marketing Division could handle both agriculture and fisheries as the mechanisms for fish product marketing are similar to those for agrifoods product marketing. The Policy and Research Division (or Planning Services Division) could perform work not only in fisheries and in agriculture, but also in areas related to foods where both sectors come together; the Field Services Division of Fisheries could be merged with the larger Agriculture Extension Services Division.

Therefore, while expertise in both agrifoods and fisheries should be retained in these joint divisions, program sharing and the development of joint projects would benefit both sectors. Furthermore, the fishing industry has developed considerable expertise in product development and packaging, quality control, and international marketing from which the agrifoods industries could learn and use to maximize competitiveness. In other areas, such as extension services, Agriculture staff may be able to offer assistance to Fisheries personnel.

Unlike the agriculture-forestry relationship, where problems arise over competition for land and resources, there are few policy or program areas where the interests of agrifoods and fisheries cross paths in any contentious manner. In other words, in considering the relationship between the agrifoods and fisheries industries, and the potential overlaps in areas of policy formulation and program development, there are far more areas of compatibility than there are of conflict.

A possible third option that was suggested by several groups at the public hearings is to create a new Deputy Minister's position within the existing Department of Forestry and Agriculture. This new position would handle all agrifoods issues while the current Deputy Minister would be responsible for forestry matters. This would serve to provide a more equitable balance between the Forestry and Agriculture Branches in the department. However, such a move would be unprecedented in the Newfoundland Public Service and is not favoured by the Task Force.

Whether or not government decides to create a separate Department of Agriculture and Food, a Department of Fisheries, Agriculture and Food, or a new Deputy Minister for Agrifoods, the Task Force believes that in the interim some structural changes in the existing Agriculture Branch should be considered. This suggestion is made in recognition of the much-expanded role proposed for the Branch. The re-structuring would have to accommodate new policy areas in which the Branch does not have much expertise, as well as areas which should attain a higher prominence in the Branch's overall policy and programs. The structure of other agriculture departments should also be reviewed for applicability in this exercise.

The Task Force has already proposed that a policy-planning and research unit be created within the Agriculture Branch. All this might entail is renaming and upgrading the existing Agricultural Planning Division. With a renewed emphasis on marketing activities, the Agriculture Branch might wish to divide the Production and Marketing Division so that Marketing becomes a separate division in its own right. It would handle all areas of marketing from fresh farm produce (direct sales and farmers' markets) to retailing and the commercial food trades. The Production Division (minus marketing personnel) could cover existing policy areas only, or it could be expanded to take responsibility for agrifoods processing and product development. However, the ideal arrangement would be to keep the Production Division focused on primary production and establish a separate Food Product Development Division which would be responsible for all downstream agrifoods activities, including those food-processing areas which do not use local raw materials.

The other divisions of the Agriculture Branch might be retained as they are, but significant attention should be devoted to streamlining their operations in light of the other structural changes

in the Agriculture Branch. For example, the Farm Business and Evaluation Division might have to expand its horizons, if not its programs, to cover the food-processing industries. It is hoped that this would not bring it into conflict with the Department of Development or the Enterprise Newfoundland and Labrador Corporation; discussions with these agencies need to take place beforehand.

The re-structured Agriculture Branch would cover existing responsibilities and also accommodate new areas of responsibility as proposed in this Report: agrifoods processing and manufacturing (to a new Division of Food Product Development or Production and Processing), the agrifoods distribution industries (to the new Marketing Division), sustainable agriculture (to the Soils and Land Management Division), nutrition and agrifoods health (to the Marketing Division) and agrifoods science and product development (to the new Division of Food Product Development or Production and Processing).

The Task Force therefore recommends that

204. the current position of the Agriculture Branch in the Department of Forestry and Agriculture be reviewed seriously and alternatives be considered. The first option is the creation of a separate Department of Agriculture and Foods. Merging the Branch with the Department of Fisheries as a Department of Fisheries, Agriculture and Food is the second option. Third, as the least-preferred option, is that a separate Deputy Minister position be created in the Department of Forestry and Agriculture with a responsibility for handling agrifoods issues;
205. the Branch make full use of the programs and services of other departments and agencies of government to promote its own activities and that a special relationship be developed with the Department of Fisheries whose programs and services are often compatible with those of the agrifoods industries; and
206. the Branch be re-structured to accommodate new areas of responsibility and to give greater prominence to certain key roles.

The Agrifoods Industries

This Report has emphasized that the industries which make up the agrifoods sector have a significant role to play in their own development. Governments provide the institutional framework and the legislative, regulatory and policy environment for sectoral and industrial development, but ultimately those who make their livelihood from agriculture and related food industries are the ones who generate growth and promote development, and create enterprise and employment. The success of the agrifoods sector in the future will in part depend on the leadership and guidance provided by key industry groups and associations. Almost all agricultural industries are represented by commodity organizations of one sort or another. Some of these organizations are formalized boards with regulatory or price-setting powers; other groups represent producers in a variety of ways, from loose associations which provide a forum for sharing ideas and disseminating information to more formalized groups which set policy and implement programs. In addition, there are several groups which represent producers in specific

regions of the province or through certain kinds of common agricultural interests. Organizations not specifically focused on agricultural development may also form associations or committees to handle agricultural matters: several regional development associations fall into this category. The agrifoods processing and distribution industries also work through their associations to deal with issues of interest to their members. Because there are no extensive agrifoods processing and distribution industries in this province, many of these organizations are national in scope, often with Atlantic Region branches. There are also other interest groups which represent consumers, environmentalists, food health professionals, co-operatives and organized labour.

There are many organizations, therefore, which individually, together and in concert with governments, become vehicles for leading and guiding agrifoods development. They make decisions on behalf of people who have a common interest in a commodity or an industry and who derive benefits from collective action. In this chapter of the report, the Task Force recognizes the vital role played by all organizations, associations, groups and boards associated with the agrifoods sector in providing the framework for co-operation advocated in this report. The Task Force trusts that these comments will be valuable to them all. The remainder of this section will be devoted to the agriculture industries, in general, and to the role and operations of the Newfoundland and Labrador Federation of Agriculture, in particular. This is to recognize that the Federation is the umbrella organization for agriculture in Newfoundland and Labrador and it, perhaps more than any other body, can help shape the future of this province's agrifoods sector.

The Newfoundland and Labrador Federation of Agriculture was established to co-ordinate the efforts of Newfoundland farmers in promoting their common interests. The Federation has been in operation for many years, but since 1987 it has developed into more than a loose association of farmers and commodity groups. Since then, the Federation has gained the support of industry and the respect of government as a common voice for farmers. As a lobby group, the Federation works with the federal and provincial governments and agricultural organizations to help develop policies and programs designed to promote agricultural development in the province and to meet changing economic circumstances. It also disseminates information to keep producers and the public informed on the current state of agriculture.

The Federation is organized on three levels: an Executive of four members; a Board of Directors drawn from the member commodity boards, producer and regional associations; and member groups and producers making up the body of the organization. The Federation's members are the Newfoundland Milk, Hog, Egg and Chicken Marketing Boards; the Strawberry, Sheep, Fur and Greenhouse Producers' Associations; the Humber Valley, Lethbridge-Musgravetown and Central Regional Associations; and the Newfoundland Farm Women's Association. The Federation currently represents the majority of farmers in this province, but other agricultural organizations are being continually encouraged to join in order to strengthen membership and ensure that the Federation can speak for all producers in the province. However, most of the province's vegetable producers are not members of any province-wide organization and, therefore, there are not many vegetable growers who are active members of the Federation.

The Federation of Agriculture has been extremely supportive of all the Task Force's endeavours. It recommended the creation of a task force long before the announcement was made in 1989, appointed one of its Executive members to the Task Force and has provided regular input to the research and consultation process — not least of which was a brief of over 200 pages presented at one of the St. John's public sessions. Outside the domain of the Task Force, the Federation has been active in representing the interests of the producing industries on a number of fronts. It has worked closely with governments on key issues, such as the preparation of a new ALFI agreement, and has spent considerable effort preparing and presenting submissions to government agencies and committees: to the various national task forces engaged in the federal agrifoods policy review process and to committees of the House of Assembly studying legislative proposals. It is not unusual to hear a Federation representative interviewed in the media concerning a current agricultural issue of the day. The Federation has been effective in raising the profile of agriculture in Newfoundland and Labrador.

The Federation of Agriculture consulted with its members across the province before the Task Force embarked on its public hearings schedule. It distributed a questionnaire soliciting opinions on the priority issues in agriculture. Subsequently, Federation officials travelled across the province to discuss these issues with members and to formulate a strategy for providing input to the Task Force. While all individuals, groups and agencies with whom the Task Force met during the last year spent considerable effort preparing their briefs, the Federation spent the better part of six months consulting with producers, consolidating opinions and preparing its brief and other documentation for the Task Force. Considering the Federation is run by a volunteer Executive with one paid employee on staff, this kind of dedication to agricultural development bodes well for the future of the sector.

One of the major problems encountered by the Federation of Agriculture is maintaining funds for its activities. The organization has been financed through members' contributions and supported by small grants for specific projects from government or the cost-shared agreements. The larger commodity boards and organizations pay a check-off fee³⁸ while other associations and individual producers pay set fees. Government financing was secured for the Federation's Executive to attend the December 1989 Policy Review Conference in Ottawa, to distribute its survey-questionnaires and to travel across the province to consult with its members. However, there has been a significant increase in Federation activities over the last couple of years and the organization is finding it difficult to maintain the current level of involvement within its shoe-string budget.

The federal and provincial governments have approved a sum of \$40,000 under the Agrifoods Agreement as operational funding for the Federation, but the governments may want to review the level of funding offered to the Federation. Should this Task Force report, or major sections of it, be acceptable to government as a policy and strategy document, the activities of the Federation of Agriculture would increase dramatically. Furthermore, other umbrella groups

³⁸ A fee based on the volume or value of total production.

often receive higher levels of funding to hire staff, researchers and consultants, to prepare publicity brochures or to launch special campaigns promoting their activities.

In a similar vein, industry's access to funds for promoting co-operation and information exchange between farmers and their organizations is fairly limited. The Human Resources Program under the Agrifoods Agreement is probably the most sought-after-program of the Agrifoods Agreement. Producers and organizations recognize their isolation from the Canadian or even the Atlantic agricultural heartland and more than ever they are requesting assistance to engage in a wide range of activities taking them away from their local area. The Federation itself has recently become a member of the Atlantic Farmers' Council, which it expects will have long-term benefits for the industry in this province, and it is encouraging other producer organizations to affiliate with national or regional agricultural bodies. As these affiliations are performed voluntarily, it is difficult for producers and groups to cover the expenses such affiliations entail. Both governments should place a high priority on ensuring that assistance is available to producers and their affiliated associations. Greater inter-industry co-operation within the province should be encouraged by governments and the Branch should devote more resources to organizing and participating in regional agricultural conferences and meetings. In particular, government should provide for in-service training and travel to agricultural conferences and meetings within and outside of the province for industry and Branch staff, in order to promote government-industry and inter-industry co-operation and to allow the industry to keep abreast of the latest information on agricultural developments.

For too long the industry has looked to government to take the leading role and to put money in the hands of farmers. The Federation, for one, is now calling on farmers to assume the lead role in developing Newfoundland agriculture. This does not suggest that governmental financial assistance should cease — rather that its orientation be modified. By giving farmers and their organizations moral and financial support, governments can assist the industry to take on a greater responsibility. The development and support of farmers' organizations, regionally, provincially or by commodity, can only assist government decision-making; conversely, effective producers' organizations allow farmers to stand united when presenting their views to governments. This mutually beneficial situation can only help both parties in their common goal of developing and improving agriculture in Newfoundland and Labrador.

Over the last three years, the Federation of Agriculture has secured a good, co-operative arrangement with governments. The Federation now meets regularly with both governments to review agricultural matters in a general fashion and to discuss specific issues as they arise. This degree of co-operation simply was not evident a few years ago. The Task Force believes this direct co-operation is healthy and it should be maintained and even intensified. The Federation of Agriculture should be directly involved in the development of government proposals for cost-shared agreements, legislation and regulations, and policies and programs associated with the agrifoods sector.

The Federation has long advocated a direct role in the implementation of cost-shared agrifoods agreements. Ultimately, it would like to be assigned a place on their Management Committees on the basis that the industry should be participating in the decision-making process

about its own development and in the disbursement of funds. However, in the face of both governments' opposition to the Federation's membership on Management Committees, the Federation would accept an observer role at meetings of the various committees.

Governments view this proposal thus: the cost-shared ERDA agreements are negotiated, signed and funded by the two orders of government and none has ever involved outside representation on Management Committees. For Federation representatives to be directly involved in the decision-making process, even as observers, would set a precedent for all other agreements. Furthermore, governments wish to avoid any conflict of interest which they feel could arise if industry representatives were to influence the way funding decisions were made. The Task Force understands why governments are opposed to the Federation's involvement in Management Committee decision-making. However, the Federation could play a valuable role in agreement program decision-making and implementation. An industry advisory sub-committee involving government and industry representatives could be established to help devise program implementation policy and to review funding allocation decisions.

The Federation of Agriculture addressed the issue of the lack of information about government services, development programs and general information needed by the industry. In its brief to the Task Force, the Federation took aim at the Agriculture Branch for failing to disseminate information on Farm Development Loan Board services, the farm debt review process, the ALFI and Agrifoods Agreements and special advisory or specialist services available in the province. The Federation did comment that publications like the *Farm Forum* have been used to great effect in disseminating information to the agriculture community. There is also a criticism of local Agriculture Canada branches implied in the Federation's comments, as producers frequently solicit information they cannot acquire in this province from Agriculture Canada Research Stations and offices in the Maritimes and Quebec. To overcome this information problem, the Federation proposed that the Agriculture Branch produce and publish a farmers' handbook that would outline the services provided by both orders of government. It would list governments' agriculture staff, their areas of expertise, addresses and telephone numbers, provide details on all programs available to industry and any other information relevant to Newfoundland agriculture.

The Task Force has already recommended that the Branch publish an annual report which would contain some of this information. Therefore, the farmers' handbook should be prepared, not by government, but by the Federation of Agriculture itself, with input from the Farm Organization Services Bureau, so that information about both orders of government could be incorporated, as well as details of industry boards, organizations, associations and even individual farm enterprises. The handbook should be funded by both governments as a special project administered by the Federation. The Federation should ensure that the farmers' handbook also goes beyond the realm of agriculture and provides pertinent details about the agrifoods, processing, distribution and service industries. It could inform producers about the needs of food processors and manufacturers, current prices offered and products required by wholesalers, retailers and the food services trades, as well as details about the services offered by transportation companies, feed and equipment suppliers and financial institutions.

The Federation of Agriculture is convinced that the agriculture industry can play a more important role in the economic development of the province. It believes that the benefits from agrifoods development can be spread across the province, especially in rural areas badly in need of new employment opportunities and economic stability. The small-scale developments characterized by agriculture fit with Newfoundland's traditional lifestyle and culture, but this does not mean they cannot be sophisticated, modern enterprises using up-to-date technologies, methods and skills. However, the success of agricultural development will depend on two factors: the commitment of governments to provide the necessary leadership and guidance, and the ability of the industry to translate the "blueprint for development" into initiative, sound decision-making and meaningful development. In this regard, the Federation has vowed to be vigilant in its efforts to ensure that government's response to the Task Force report and future policy developments leads to the kinds of economic and social benefits which agriculture has the potential to provide.

The Task Force on Agrifoods is encouraged by this kind of industry commitment and the Federation of Agriculture should be consulted extensively during government's review of this Report and the formulation of a long-term policy on the agrifoods sector.

The Task Force therefore recommends that

207. government place a high priority on encouraging the province's agricultural organizations to affiliate with, and participate in, the activities of national and regional agricultural bodies to promote greater co-ordination and co-operation within the industry and to keep in contact with the mainstream of Canadian agriculture;
208. government and industry ensure that information acquired by Agriculture Branch staff at seminars and conferences is passed along to the agricultural community in the most effective manner;
209. government ensure that the Federation of Agriculture is involved in the preparation of legislation, regulations, policies, programs and proposals to the federal government for new agreements. This applies, in particular, to a new comprehensive Agrifoods Agreement; and
210. governments sponsor a farmers' handbook to be prepared by the Newfoundland and Labrador Federation of Agriculture, with contributions from the Farm Organization Services Bureau.

Epilogue:

Agrifoods 2000 – Goals for the Future

In a 1971 study of the developmental potential for agriculture in Newfoundland and Labrador performed by the Agricultural Economics Research Council of Canada,⁵⁹ projections were made for the period from 1971 to 1981 of the levels of production and associated values for the sector as a whole and for various industries or commodities. The Council provided good estimates of overall food consumption for 1981, but the projections about how much of this demand would be supplied by local industries were far from accurate. For example, it predicted that the potential for supplying agrifoods products in Newfoundland and Labrador would generate \$97.8 million in farm cash receipts by 1981. In 1981, farm cash receipts were actually worth \$32.3 million – less than a third of the projected value. The estimated receipt values for each industry were also grossly over-estimated. The Council's study was a useful forward-looking examination of the agrifoods sector in this province, but why were its ten-year predictions so inaccurate? Was it because opportunities for expanding and developing the province's agricultural industries were missed during the 1971 to 1981 period, or were there inherent flaws in the way the projections were made?

Attempting to predict what will happen to an industrial sector from decade to decade does not seem to be a profitable exercise. This is to be expected considering how economic fortunes can change almost overnight. Who in 1981, looking at Newfoundland and Labrador 10 years into the future, would have thought that the Total Allowable Catch for Northern cod would be set as low as 180,000 tonnes, that Spanish and Portuguese vessels would be banned from Canadian ports, that the Daniel's Harbour mine and the ERCO plant would both be closed and the Come By Chance refinery would be back in operation, that the Newfoundland Railway and Eastern Provincial Airlines would be things of the past, that the province would be almost self-sufficient in milk production and in a near-glut situation for strawberries or that a giant hydroponic cucumber factory would have been built, and have failed, in Mount Pearl.

For these reasons, the Task Force does not intend to use this epilogue to predict what will happen to agriculture and related food industries in Newfoundland and Labrador over the next ten years, regardless of whether or not the recommendations in this report are adopted and

⁵⁹ *Agriculture and Food Potential in Newfoundland*, Agricultural Economics Research Council of Canada, 1971.

implemented. However, it is appropriate to propose some goals that should be established for the decade and to suggest where the agrifoods sector and its key industries might expect to be at the start of the next millennium. The current state of the agrifoods industries, a realistic expectation of how the recommendations in this report may further the development of the sector and possible outcomes of major external events, such as the GATT negotiations, the Canada-United States Free Trade Agreement, the proposed Canada-United States-Mexico trilateral talks on North American free trade and the federal agrifoods policy review are the bases for establishing these goals.

In setting the goals, the Task Force makes two basic assumptions:

- that in 1991, government will accept this report in principle as a policy and strategy for agrifoods; and
- that because of government's fiscal restraints, not all of the recommendations in this report will be implemented immediately, but by the end of the year 2000, all of the recommendations will have been initiated.

If so, over the next ten years, the agrifoods sector should be in a much more prominent position in the economy and in society than it is now. Initiatives to promote the sector, improve product marketing, update the statistical profile of the entire agrifoods system and integrate agricultural industries with the rest of the agrifoods sector and the province's business community should erode the perception of agriculture as a small, unimportant and overly-subsidized set of activities occurring on-farm. Most of these initiatives require the co-operation of governments and industry and entail minimal public sector expenditures. The Task Force would expect the Federation of Agriculture to be at least as prominent as other industries' umbrella organizations, and agriculture to be featured regularly during major economic reviews and conferences. Representatives of agricultural industries should be participating as full members, perhaps even as executives, in key business organizations provincially, regionally and nationally. By the year 2000, neither government decision-makers, the business community, the media nor the public should have any doubts about the contribution agrifoods make to the provincial economy; the Agriculture Branch, as a department in its own right, should not suffer from any lack of credibility within government.

By 2000, all agrifoods industries should be enjoying higher production volumes and gross cash receipts. Over each of the last three decades, farm cash receipts have doubled in current dollar terms and the Task Force expects a further doubling over the next ten years, particularly as a result of the impetus provided the sector from government's new agrifoods policy and strategy. Therefore, notwithstanding the problems associated with measuring agriculture's value by the farm cash receipts statistics, receipts for the year 2000 could exceed \$120 million (in 1990 dollars); the total contribution of local agriculture to the provincial economy should exceed \$300 million; and the total value generated by all local agrifoods industries should approach \$500 million.

The number of farm enterprises in this province should increase only slightly over the next ten years, from the 752 operations identified by the Task Force to about 800. This is because the most significant agricultural growth will take place on existing commercial enterprises. Small

enterprises currently operating part-time or involved with a single commodity are likely to expand into full-time operations engaging in more than one activity. The larger multi-industry farms will experience the most rapid rates of growth and can venture into new product areas far more easily than smaller farms. Some new enterprises will be established, particularly if the environment is conducive to growth; new entrants to the industry normally require five to ten years to become viable.

The small increase in the number of farm enterprises over the next decade does not imply a slow growth period; in and of itself, it is not a significant indicator of agricultural growth. Real growth will be reflected by the increases in annual farm cash receipts for all industries. On the other hand, the number of commercial farms officially recognized by Statistics Canada (those with gross sales over \$2,500 annually) should increase from the 651 holdings recorded in the 1986 Census to more than 750 in 2000. What this will reflect is many part-time operations, or farms generating less than \$2,500 in gross sales, increasing their sales values to exceed the minimum Statistics Canada definition of a commercial farm.⁶⁰

Even though the number of farms may not increase significantly, the Task Force expects the number of commercial enterprises engaged in agriculture-related activities to rise dramatically as the industry becomes better co-ordinated and integrated with the entire agrifoods sector. Non-farm activities (the production of meats and fruits from the wild, greenhouses and nurseries, enterprises using waste animal and organic matter for industrial purposes) and processing, distribution, food service and farm input enterprises should expand considerably in the next decade. Furthermore, if the Task Force's recommendations concerning better marketing and industry organization are followed, various formalized co-operatives, partnerships and other corporate entities should be established in the 1990s, each one adding to the value and diversity of the sector. It is expected that about two dozen collective operations should be operating in the agricultural sector, most of them representing groups of farm enterprises regionally; others will represent enterprises which produce similar commodities.

Because data do not accurately portray the extent of these industries referred to above, the Task Force cannot set quantitative goals for the future. Similarly, it has been impossible to generate an accurate profile of employment associated with the agrifoods sector, nor even with the agricultural component. However, there is no doubt that the employment levels would have increased significantly from the 2,000 persons considered by Statistics Canada to be the province's farm population and the 450 person-years of hired labour working on farms estimated by the agency for 1986; by 2000 A.D., there should be almost 3,000 persons deriving their livelihood directly from agriculture and at least 1,000 person-years of direct employment on-farm.

The key to all the above objectives will be the ultimate resolution of the issue of subsidy provision in the livestock and poultry industries and to the Newfoundland Farm Products Corporation. If NFPC's current dilemma, in particular, is not resolved within the next few years, the poultry and hog industries will wither and the entire livestock sector will be reduced to small-scale, door-to-door sales operations worth only a few million dollars annually. In addition to

⁶⁰ This increase in the number of farms includes the entire period from 1986 to 2000.

closing down the livestock sector, it would also throw the entire agrifoods sector into disarray and about two-thirds of the value of the sector would be lost.

By the end of the year 2000, the Task Force expects NFPC to be replaced by a well-managed animal- and poultry-slaughtering and meat-processing facility operating outside the auspices of government through the implementation of an innovative refinancing and corporate ownership scheme. The new slaughtering and meat-processing company will have been financed by private investors, broiler and hog operators, employees and government (principally through loan guarantees). The private investors will not be large meat processors from the mainland, but local interests who see the potential for growth and development in the industry; one of these investors may be a fish processing company with established national and international marketing expertise. Once the new plant is built – perhaps in a location closer to the main broiler farm concentrations in the Central Avalon – NFPC's St. John's and Corner Brook plants will be closed and transformed into horticultural product-processing facilities. The old plants will have been replaced by a modern, automated facility capable of handling double the volume of chicken product currently processed by the two plants, having a hog-processing line and slaughtering facilities for other poultry and livestock (turkeys, spent hens, roasters, beef cattle and sheep). A wide range of processed meat products will be produced for domestic and export markets; products will be extensively promoted based on quality, nutritional factors and local identity; and an emphasis on product development and marketing will be aided by establishing strong links between the new animal-slaughtering and meat-processing facility and research institutions in the province.

One of the most positive features of the new animal-slaughtering and meat-processing facility from a public policy perspective is that the facility will not be requiring annual government subsidies for its operation. Government will be expected to assist in financing the new company sometime in the early 1990s, and in building new facilities by the mid-1990s. However, by 2000, these refinancing and capital costs will have been more than offset by annual savings from the \$2 million to \$4 million per year which government currently pays to cover NFPC's operating expenses. Furthermore, by the year 2000, the new facility will be expected to be self-sustaining in its operations, and government investment will be limited to specific product development and marketing initiatives aimed at improving the industry's competitiveness at home and abroad.

The hog industry's fortunes are unclear at the moment and they may be determined, in part, by the future orientation of NFPC. There is a chance that the large-scale hog farms will decline in the early 1990s once the price supports are phased-out so that only a handful of small-scale hog farmers will remain in business. That is, any number of the dozen or so major hog producers may opt to be bought out of the industry. However, the Task Force suggests that by 2000, the hog industry should have explored all avenues for expansion and development. This could result in the expansion of large-scale enterprises and/or the development of a small, rejuvenated hog industry operating under a different set of guidelines, but one which is viable in returns on investment to farmers and fresh pork product supplies to consumers. If meat inspection services are provided at certain facilities outside of the main animal- and poultry-slaughtering and meat-processing facility, the hog industry can develop and grow to service not only the door-to-door

freezer trade, but also prime retail markets, despite the high cost of imported feed and highly unstable product prices.

The principal objective for the hog industry by 2000 is to be competitive in the open market by capitalizing on all opportunities for producing and promoting high-quality products and reducing the high input costs. In addition, if the assessment of the health status of Newfoundland herds, coupled with the evaluation of export opportunities for SPF hogs and related technology turn out to be positive, a highly specialized, export-oriented hog industry will be well on the road to development by 2000. It will use the full range of resources and expertise in the province, including an efficient swine breeding facility (privately owned) and the artificial insemination unit (run by government) on the West Coast. Again, from a government perspective, the hog industry will largely be self-supporting, although high feed grain costs would continue to be subsidized as they are in other provinces, by the federal Feed Freight Assistance Program.

The broiler-chicken industry appears to have a bright future. The Task Force expects chicken production to expand and develop throughout the 1990s, particularly as the major constraint to the industry — limited processing capacity at the NFPC plants — will have been removed through the construction of a new animal- and poultry-slaughtering and meat-processing facility. However, West Coast producers will have to overcome the problems associated with transporting their birds over a longer distance to the proposed new centralized processing plant. The industry's direct involvement in the plant as shareholders of the new facility will provide a psychological boost for producers and opportunities to improve production and processing efficiency, to co-ordinate marketing and promotions, and to increase competitiveness in the marketplace. Although price supports for broiler operators will have been removed by 2000, benefits realized from the above-mentioned opportunities, continued efforts to improve feed grain utilization, and increased production and market penetration should offset the revenue losses to chicken farmers as a result of the withdrawal of the subsidies.

The elimination of government subsidies to NFPC, the hog industry and the broiler industry by 2000 will save at least \$5 million annually, based on 1989 subsidy levels. However, because these subsidies will be phased out rather than eliminated immediately, the total savings between 1991 and the end of 2001 will approximate \$30 million, less contributions to be paid by the province should it join the national Tripartite Red Meat Stabilization Program. Thus, a high proportion, if not all, of these savings should be re-directed to developmental aspects of the industry: loan guarantees for a new processing plant, a meat inspection system, improved veterinary facilities, a regulation and inspection system for horticultural products, land clearing for forage development, etc.

The dairy industry is one of the more prominent in the province. However, this prominence has been achieved not just because the industry has grown rapidly in the 1980s, but because of the negative public reaction to milk-price increases. The perceived impact of supply management on the availability and price of dairy products, the criticisms levelled at the way decisions are made by the Milk Marketing Board, and the general impression that the dairy industry is accountable to no one, have placed the dairy industry under the spotlight in the last few years. By the year 2000, this adverse public opinion about the dairy industry will have disappeared for

the most part. Dairy industry regulation will have been completely overhauled, with milk pricing decisions removed from the marketing board to an independent dairy committee operating under the auspices of the Agricultural Products Marketing Commission; the cost of production of fluid milk in this province will be stabilized in comparison to that in other jurisdictions, as will the producer, wholesale and retail prices for fluid milk; significant increases in productivity will be realized by the dairy industry, principally as a result of opening up more lands to forage production and the decreasing reliance on imported feeds; and the producing, processing and retailing industries will all be receiving reasonable and fair rates of return on their investments.

The Task Force expects provincial self-sufficiency in fluid milk to be maintained through to 2000, although during the mid-1990s, several farmers may choose to sell their quotas to larger operations, thereby contributing to the overall increase in efficiency among milk producers. By 2000, there will be a significant increase in milk consumption in this province, to the point that the per capita consumption of fluid milk in Newfoundland and Labrador (currently 57 litres per year) will reach the national average. The introduction of a school milk program and special promotions for dairy products will lead to an increase in production of fluid milk over the next ten years, even though the industry will have to accommodate consumers' growing demands for low-fat dairy products. Whereas the industry may not be ready to join the national industrial milk regulation scheme, there will be several opportunities for further processing of local fluid milk. This will arise not only because the industry will want to expand beyond self-sufficiency, but also because the increased volumes of low-fat fluid milk produced will lead to larger cream surpluses and ways will have to be found to use excess cream. At the very least, the Milk Marketing Board will have come to an arrangement with the processors for supplying raw milk for the manufacture of chocolate milk. Therefore, the dairy industry has a bright future ahead of it, but to achieve the goals suggested above, considerable soul searching and changes in strategy will be required by producers and processors alike; one of those changes involves marketing dairy products for their nutritional qualities.

The Task Force has given health and nutrition high prominence in this report because of the growing importance nationally and internationally of consumers' concerns over the nutritional quality of the foods they buy. Moreover, the dietary habits of Newfoundlanders and Labradorians, particularly of young people, do not appear generally to be nutritionally sound compared to those in the rest of the country. This is reflected in the additional costs required to provide health care services to combat nutritional deficiencies and diet-related diseases, as well as in the education system where learning, concentration and retention capacities are known to be affected by hunger and poor diet. Thus, it is incumbent on government to set the direction and goals for improving the dietary habits of the population and for encouraging the agrifoods industries to pay more attention to the nutritional quality of foods they offer to consumers.

By the year 2000, the provincial Policy on Food Health and Nutrition will have been developed and implemented. The adoption of this policy, together with 1993 being designated as Provincial Nutrition Year and the agrifoods industry's adopting a more market-oriented strategy for distributing their products, will mean that the industry will have made some headway in increasing the population's awareness of the importance of food health and nutrition. It will also

assist local industry in marketing their products, emphasizing freshness, wholesomeness and nutritional quality — an advantage the industry has over external suppliers.

Selling food commodities at home and abroad will require producers and processors to pay more attention to the needs of the marketplace. Acquiring a greater knowledge and understanding of the requirements of the food distribution industry and consumers, coupled with better co-ordination within the sector, will allow commercial producers to market their products in a more efficient manner. Improved market information and marketing systems, more efficient product handling from the farmers to consumers, and the promotion of locally produced foods will inevitably lead to an increase in demand for local agrifoods products and a corresponding increase in production levels for most commodities.

Individual farmers will not be dealing directly with the wholesale, retail and commercial food trades; selling by negotiated contract handled by producers' organizations, marketing boards, producers' co-operatives or limited liability companies, will be the order of the day. By 2000, local food distributors will not have to worry about whether local farmers will have products available for them on any particular day or what the quality and price of those products will be. Better handling and storage facilities will allow producers to extend their market season well into the following year, and some organizations may be able to use their facilities to import products when local supplies are low. Farmers' markets and other locations where consumers purchase food commodities from producers will be well known and patronized heavily, particularly during the harvest season. Urban markets, such as those in St. John's, will offer a wide range of agrifoods, fish, crafts and other products year-round, and they will be able to provide more of a shopping experience than a place where one merely purchases vegetables.

By the mid-1990s, a rejuvenated Vegetable Marketing Board will have been established which will bring a measure of supply and price stability to the horticultural industries. While some farmers will still be selling produce from their trucks along the highway and in parking lots, the popularity of established markets will encourage most commercial farmers to pay an annual stall fee and use the facilities provided. This will carry with it some obligations on the part of sellers to size, grade and price produce for the consumer and to follow fair trading practices in product origin, quality and pricing. By the year 2000, the province will have implemented regulations governing the direct selling of local food products as well as an efficient inspection system.

By the year 2000, all five marketing boards will be following the second of their established five-year plans which place considerably more emphasis on product marketing. As part of these plans, the boards will be engaged in a continuous public awareness program (in concert with the national marketing boards and the Agricultural Products Marketing Commission) which will inform consumers of the benefits of commodity regulation. The Egg Marketing Board will have brought the problems of overproduction under control through regulation of illegal production, new marketing strategies, and the development of alternative uses for eggs. Other industry organizations — such as those for sheep, turkeys, beef, strawberries, blueberries, greenhouse and nursery production — will also be much more active in marketing and promoting their products at all levels: direct sales to consumers, the wholesale and retail trades, the commercial trades and

export markets. These organizations and the producers they represent will be exploring opportunities for expanding their product base, further processing, and linking their activities with initiatives in other sectors (tourism, fisheries, wildlife). For example, the Task Force fully expects by the year 2000 almost all lamb fleeces will be collected in an organized fashion and shipped to a processing facility here on the island or to mills in the Maritimes for processing so that sheep farmers can derive benefit not just from their sales of meat, but also from the wool produced. Value will also be derived from the sheep skins, composting of sheep manure for commercial sale, linkages with the tourism industry for promoting fresh local lamb products, and joint ventures with the crafts industry for using local wools.

The provision of a meat inspection system covering those industries where animals and poultry do not pass through the federally inspected animal-slaughtering facilities will assist people like sheep producers to venture beyond the door-to-door freezer trade into the more lucrative retail and commercial food trades. Thus, by 2000 the Task Force expects the number of sheep raised on-farm to increase to about 20,000 head and that slaughtering will be a year-round activity. However, despite this growth (and the corresponding increase in flock size on established farms) sheep producers will probably still have to combine sheep operations with some other form of farming activity, as it still may not be profitable to run a sheep operation as a solitary venture until flock sizes and markets grow dramatically. The same point also holds true for turkey and beef enterprises.

By the year 2000, government will have in place a comprehensive land registration system, an integrated resource land planning scheme and strategies for agricultural land conservation, preservation and consolidation. The revised system of leasing land to farm enterprises will eliminate most of the industry's discontent about land ownership; special provisions for preserving valuable agricultural land, such as the designation of additional Agricultural Development Areas, will go a long way to ensuring that the province's limited agricultural resource base is protected. A combination of negotiated agreements between the owners of idle land suitable for agriculture and a new tax on idle land which has gone out of agricultural production will lessen the demand by industry for government assistance to be oriented towards opening up virgin lands for agricultural purposes. Instead, land which has previously been used for agriculture will be brought back into production and the fertility of already cleared land will be improved and maintained. In so doing, it is expected that the use of agricultural chemicals and other sensitive environmental issues will have been addressed by industry and government co-operatively. The passage of rights-to-farm legislation will afford protection to most commercial farm enterprises from nuisance suits by unsympathetic neighbours, while an agricultural code of ethics governing farming practices, including the humane treatment of animals, will assure the public that agriculture is practised in an environmentally sustainable manner.

Revisions to the methods by which the agriculture sector obtains financial assistance and credit for expansion, renovations and development will mean that the agricultural industries, like almost all other economic sectors, will be dealing regularly with commercial lending institutions. The Farm Development Loan Board and the Farm Credit Corporation will still have key roles in assisting farm enterprises for specific kinds of ventures. However, with the assistance of

government, an increasing number of enterprises will be able to obtain financing through the commercial banks.

By the year 2000, cost-shared agreement funds will still be required for industry growth and development, but there will be less emphasis on capital grants to farmers for infrastructure (unless a needs assessment specifically identifies infrastructure that is essential) and a greater focus on developmental projects in areas such as market identification, market promotion, new product development, science, research and technology, and education and training. The Task Force expects that by 2000 the scope of the comprehensive cost-shared agrifoods agreements will reach beyond the primary industries to cover the entire sector. Specific areas of agricultural priority, such as environmental viability, farm management and training, export product development, storage, handling and transportation, may be subjects for separate cost-shared agreements focusing exclusively on these issues.

Implicit in many of the recommendations of the Task Force in this report is a concentrated focus on improving the knowledge and skills of those working in the agrifoods sector at the primary, secondary and tertiary levels and within government agencies which serve the sector. Farm management training, basic education and skills development, science, technology and research and development programs must be upgraded so that all agrifoods industries remain competitive and that resources are used to their maximum effect. The Task Force expects that by the year 2000 Newfoundlanders and Labradorians interested or involved with the agrifoods sector will have several options for acquiring a sound knowledge base and skills development. The Nova Scotia Agricultural College will continue to provide the kinds of degree and technical programs oriented towards the fundamental principles and practices of modern-day farming. Existing university degree programs in agriculture at Guelph and Macdonald College in Montreal, and the Atlantic Veterinary College, will also continue to attract students from this province. As the sector grows in importance over the next decade, it is expected that the demand for places in the programs offered by these institutions will increase significantly as farmers, potential farmers and those working with government as advisors or specialists will require both fundamental and specialized education and training in agriculture.

The major change in the next decade will be that more of the basic education and training required for agriculture will be offered in this province. In particular, students will be able to acquire two years of agriculture training at Memorial University before going to the mainland to finish off degree programs. The Community Colleges will offer an increasingly wide range of specialized agriculture programs, such as, the land-based resources program at the Fisher College in Corner Brook, the fur training program at the Avalon Community College in Carbonear and technical and mechanical courses at the Cabot Institute in St. John's. It has been recognized that there are considerable resources existing in Newfoundland and Labrador for establishing a strong science, research and technology, and development base in agrifoods and related disciplines. The creation of a separate Department of Food Science and Nutrition at Memorial and an integration of the university's program with that at the Marine Institute (the Seafood Development Unit), will allow a more co-ordinated research effort to focus on the current and future problems experienced by those working in the sector.

The key to success in the science, research and technology, and development areas, however, is the contribution of the Agriculture Canada Research Station in St. John's West. It is expected that by 2000, the Station will have been upgraded to the required research staff complement and activities focused on agricultural issues directly relevant to this province. Furthermore, better access to Agriculture Canada's research expertise in other provinces, particularly in the Maritimes, will allow local industries to keep abreast of current methods of farming, to prevent problems from arising on-farm through preventative measures and to gain expert assistance when problems do occur.

Agriculture in Newfoundland and Labrador has its own set of problems which the Task Force has outlined in this report; it is suggested that these problems should be addressed over the next ten years. The Task Force believes that the agrifoods sector and the agricultural component of the sector have strong growth and development potential both in an absolute sense and in contrast to other resource-based industries that are currently experiencing difficulties. Experts on the fisheries, mining and forestry are worried about the long-term future of these industries; while the Task Force does not wish to promote agrifoods on the backs of other industries which are currently suffering hardships, it should be noted that agriculture is not limited by any downturn in the resource base or decline in markets. In fact the opposite is true: the resource base can be expanded considerably and the markets are there for the taking. Therefore, agriculture will not suffer from the same constraints as other resource industries during the 1990s; damage control, emergency programming and industry offset measures aimed at counterbalancing declines in production and processing and protecting employment levels will not apply to the agrifoods sector unless extraordinary events occur at the national and international levels.

Policies and strategies for local agriculture should be oriented to growth, development, expansion, greater employment, more enterprise development, higher revenues, regional diversification and export promotion. The development of the agrifoods sector should be viewed as one of the few bright spots for industrial development, along with offshore oil and tourism, perhaps. What this requires, however, is a policy and strategy framework to be adopted by governments so that effective leadership is provided and an environment conducive to growth is developed.

The Agriculture Branch, currently a part of the Department of Forestry and Agriculture, should be restructured and upgraded soon so that within the next few years it can provide the kind of leadership and expertise that will be required by the agrifoods sector. In particular, the Branch should become a department in its own right and its mandate be expanded considerably to cover all agricultural and agrifoods issues. By the year 2000, the provincial Department of Agriculture and Foods should have been instrumental in the integration of agriculture with the entire agrifoods sector through acquiring expertise in agrifoods processing; wholesaling and retailing; the commercial and institutional food service industries; nutrition and health; policy development and research, as well as an upgrading of existing expertise in agricultural production, marketing and promotion, extension services, farm finance and management, soils and land management, agricultural planning and veterinarian services.

The federal government should also be playing a more active developmental role in the agrifoods sector. The Agriculture Development Branch of Agriculture Canada and the Atlantic Canada Opportunities Agency, in particular, should be expanding their programs to assist the agrifoods industries in the most effective manner. By the year 2000, it is hoped that federal agencies will be treating the agrifoods industries in the same way it treats all others, in terms of technical and service assistance, particularly eligibility for financial assistance programs. Furthermore, the Task Force expects the annual levels of federal expenditures on agrifoods initiatives (direct assistance programs and cost-shared funding) to increase over the next decade so that total federal funding to the sector is at least on a par with other provinces. To achieve this goal the province and the agrifoods industries will have to convince the federal government that funding initiatives in this province is worthwhile from a perspective of employment generation, viable enterprise creation and regional diversification.

The Task Force points out that despite the above-mentioned roles for government, the shape of the sector in ten years will depend on how aggressively the agrifoods industries can promote themselves, their products and their needs, and on the degree of co-ordination and integration achieved within the sector. By the year 2000, the industry should be in charge of its own destiny, following a set strategy for growth and development. The industries themselves should set the pace for development — a pace which explores all opportunities for developing viable and competitive enterprises, capitalizes on every potential avenue for growth and employment and overcomes constraints in a realistic fashion. If these objectives are fulfilled over the next ten years, the province will be set on a steady course as it enters the next century of agriculture in Newfoundland and Labrador.

APPENDICES

Appendix A

Terms of Reference

1. Reporting to the Minister of Forestry and Agriculture, the Task Force will proceed to inquire into the current conditions and future direction of the agrifoods sector in Newfoundland and Labrador.
2. Without limiting the generality of the foregoing, the Task Force shall examine and report on:
 - (a) the structure of the agrifoods sector, with particular attention to:
 - employment levels, both direct and indirect;
 - agrifoods' contribution to the economy of the Province as a whole, and particularly to rural Newfoundland and Labrador; and
 - the significance of the sector to the provincial treasury.
 - (b) trends in agricultural production and marketing, with particular attention to:
 - farm income, expenditures and value added;
 - agricultural inputs;
 - production levels;
 - basic infrastructure;
 - farm land utilization and productivity; and
 - socio-economic characteristics of farmers.
 - (c) the structure, characteristics and importance of the agrifoods processing industries in the Province.
 - (d) the social context of the sector, with particular attention to:
 - rural living;
 - family farm traditions; and
 - community development and maintenance.
 - (e) opportunities and constraints in the agrifoods sector, with particular reference to:
 - land, including the Province's land registration system;
 - individual commodities;
 - new commodity development;
 - markets;
 - competitiveness and trade;
 - research and technology;

- education and training; and
 - the spatial organization of the sector.
- (f) the roles of government, public policy and regulation, with respect to the following:
- the Federal Government's Agrifoods Policy;
 - Federal-Provincial cost-shared programming; and
 - Provincial policy, legislation, regulation and administration.
3. The Task Force is to report on whether, how and in what sectors the Government may achieve and maintain a viable agrifoods sector in Newfoundland and Labrador, with due consideration for the overall economic and social development of the Province.
- To this effect, the Task Force shall present to the Minister, recommendations for a long-term policy on agrifoods and a strategy for agrifoods, showing the financial implications, for achieving the recommended policy objectives.
4. The Task Force shall give priority study to the dairy, hog and poultry industries.

Appendix B

Task Force Staff

Executive Director

Chris Palmer

Research

Thomas Graham

Michelle Hawco

Kevin Hynes

William Pinsent

Mike Samson

Alexander Todd

Public Relations

Colleen O'Toole

Administrative Officer

Pat Fagan

Finance

David Schell

Administration

Maureen Coady

Consultant

William Parkinson

(Support staff listed were employed for varying periods of time.)

Appendix C

Task Force Public Consultation Sessions 1990

Date	Location
February 6	Happy Valley
February 12	Searston
February 13	Jeffrey's
February 14	Piccadilly
March 6	Corner Brook
March 7	Deer Lake
March 8	Parson's Pond
March 12	Green Bay
March 13	Grand Falls
March 14	Lewisporte
March 15	Gander
March 20	Musgravetown
March 21	Winterland
April 3	Whitbourne
April 4	Carbonear
April 17	St. Bride's
April 18	St. Mary's
April 24	Kelligrews
April 25	Torbay
April 26	Goulds
April 30	St. John's
May 1	St. John's
May 2	St. John's
May 8	St. John's
May 9	St. John's

Appendix D

Briefs Presented to the Task Force

Location & Affiliation	Presenter
Happy Valley	
Mokami Reg. Dev. Assoc.	Herb Brett
Town of Happy Valley-Goose Bay	Hank Shouse
Searston	
Catherine Gale	Self
Codroy Valley Area Reg. Dev. Assoc.	George Anderson
Codroy Valley Farmers Assoc.	Leonard Downey
Francis Gale	Self
James Downey	Self
William K. MacIsaac	Self
Jeffrey's	
Bay St. George South Area Dev. Assoc.	Johnny MacPherson
Cheryl Pike-Ally	Self
Nikway Farms	Brent Chaffey
St. David's & Jeffrey's Animal Assoc.	Jerome Quilty
Tom Gillis	Self
Western Farmers' Co-op	Glenn Wells
Piccadilly	
Cal Zeigler	Self
Ferndale Acres	Alex Joy/David Joy
Peter Fenwick	Self
Port-au-Port Economic Dev. Assoc.	Henry Watson
Rose Farms	Tom Rose
Tom Hickey	Self
West Bay Pasture Committee	Clarence Gallant
Corner Brook	
Anthony Ellsworth	Self
City of Corner Brook	Pat Griffin
Fisher Institute	M.A. Roy
Hughes Brook Farms	George Jennings
Paul Lomond	Self
Warren Blanchard	Self

Deer Lake

Calvin Samms	Self
David Williams	Self
Humber Valley Reg. Dev. Assoc.	Glenda Garnier
Humber Valley Farm	Gerald Evans
Humber Valley Agr. Assoc.	George Crocker
Nfld. Strawberry Growers' Assoc.	Gerard Beaulieu
Pasadena Economic Committee	Nelson Bennett/David Atkinson

Parson's Pond

Parson's Pond Reg. Pastures Comm.	Hannah Parsons
Trevor Keough	Self

Green Bay

Green Bay Economic Dev. Assoc.	Maurice Glavine
Lem Knight	Self

Grand Falls

Central Vegetable Products Ltd.	Dale House
Central Community Futures	Walwyn Blackmore
David Fox	Self
Exploits Reg. Dev. Assoc.	Jiggs Borland
Leamington Farms Ltd.	Roosevelt Thompson
Michael Bland	Self

Lewisporte

Campbellton Berry Farms	Philip Thornley
Newstead-Comfort Cove Agr. Soc.	Gerald Head

Gander

Action Environment	John Lang
Beothuck Farm Produce Ltd.	Gerry Peyton
Gambo Agriculture Society	Gerry Saunders
Indian Bay Frozen Foods	John Ackerman

Musgravetown

Caroline K. Young	Self
Goosehead Farm Women's Association	Caroline K. Young
Lethbridge - Musgravetown Agr. Soc.	K. C. Robertson
Musgravetown Dairymen's Association	Eric Greening
Port Blandford Reg. Dev. Assoc.	Joy Blundon
Sunny Hill Farms Ltd.	David Rose
Town of Musgravetown	Tom Janes

Winterland

Winterland Agr. Society	Don Moulton
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Whitbourne

Trinity-Conception Community Futures

Hilary Rodrigues

Carbonear

Beothuck Farms Produce Ltd.

Carbonear Cattle and Horsemen's Assoc.

Claredale Farms

Moore's Fisheries Ltd.

Nfld. & Lab. Assoc. of Producers
on Organic Soils

Gerry Peyton

Gerry White

Tom Fitzpatrick

David Moores

Gerry Whelan

St. Bride's

Ernestine Power

Self

Richard Coffey

Self

St. Mary's

St. Mary's Bay Center Reg. Dev. Assoc.

Sylvester Yetman

Kelligrews

Chesley Tilley

Self

Daniel Monroe

Self

Patricia Graham

Self

Torbay

Andrew Conway

Self

Barry Manning

Self

George Purcell

Self

John W. Evans

Self

Ron Ryan/Leo Ryan

Selves

Town of Logy Bay-Middle Cove-Outer Cove

Jack Byrne

Wayne Williams

Self

Goulds

Dixie "H" Farm

Jim Handsford

Nfld. Dairymen's Association

Hector Williams

Robert J. Aylward

Self

Shalomar Farms

Dennis Galway/Francis Galway

Town of Goulds

Harold Priddle

St. John's

Agriculture Canada-Reg. Dev. Branch

T. H. Espie

Agriculture Canada-Food & Insp. Br.

P. Thompsom

Atlantic Canada Opportunities Agency

David Slade

Atlantic Planners Institute (Nfld. Branch)

Stephen Jewczyk

Avalon Community College

Blake Cryderman

Blue Buoy Foods

Jim Bursey/Bob Bursey

Brian Parsons

Self

Cabot Institute	Oliver S. Toope
Cabot Produce	Egbert Limburg
Canadian Council of Grocery Distributors	Sherry Porter
City Consumers' Co-op	Reg Clarke
Consumers' Assoc. of Canada	Robert Sexty/Mary Mackey
Dept. of Biochemistry, MUN	Antonio Martin
Environment Canada	Wayne Pierce
Fisher Institute	M. A. Roy
Gerard Beaulieu	Self
Green Party	S. Squires/N. Murray/F. Roe
Group Against Poverty	Madeline Spurrell
John Lester	Self
Land Rights Committee	Bessie Chafe
Marine Institute (Seafood Dev. Unit)	R. S. Whitaker
Masterfeeds Ltd.	A. W. Surbey
Mokami Reg. Dev. Assoc.	Herb Brett
Newco Farms Ltd.	H. W. Duffett
New Democratic Party	Cle Newhook
Nfld. Chicken Marketing Board	Reid Garland
Nfld. Dairy Processors Association	D. Collins/L. Cook
Nfld. Egg Marketing Board	Ruth Noseworthy
Nfld. Farm Products Corp.	J. McDonald/T. Burke/D. MacPherson
Nfld. Hog Marketing Board	Dennis Galway
Nfld. Milk Marketing Board	Martin Hammond
Nfld. & Lab. Dietetic Assoc.	Annette Staphenhorst
Nfld. & Lab. Federation of Agriculture	Howard G. Hewitt
Nfld. & Lab. Florist Association	Frans Nap
Nfld. & Lab. Fox Breeders Assoc.	Merv Wiseman
Nfld. & Lab. Home Economics Assoc.	Bev Gardner
Nfld. & Lab. Institute of Agrololists	Bill Parkinson
Nfld. & Lab. Public Health Assoc.	Annette Staphenhorst
Nfld. & Lab. Women's Institute	Juanita Lester
Nova Scotia Agricultural College	L. Haley/D. Ellis
Provincial Advisory Council on the Status of Women	Wendy Williams/Alison Dancey
Sheep Producers Association	Daniel Monroe/Dale Russell-Fitzpatrick
Stephen Stafford	Self
St. John's Board of Trade	David French
St. John's Metropolitan Area Board	William Dalton
Ted Walsh/Cathy Young	Selves
Woodland Nurseries Limited	Joe Benson

This list includes written and oral briefs presented at public and informal sessions.

APPENDIX E

Table 1
Farm Cash Receipts from the Sale of Farm Products
Newfoundland and Labrador 1980 — 1989
\$ Thousand

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Potatoes	1,120	1,185	864	698	942	830	1,252	989	847	1,042
Vegetables	2,016	2,623	2,086	2,001	2,054	1,951	2,293	2,180	2,597	2,935
Strawberries	82	94	237	190	287	430	472	776	750	1,044
Other berries	231	21	56	26	26	20	37	72	67	74
Floriculture & Nursery	1,844	1,884	1,579	1,637	1,893	2,063	2,108	2,532	3,383	3,519
Forest Products	92	93	94	101	101	117	129	132	133	137
Misc Crops	80	368	322	314	342	414	455	414	265	252
Total Crops	5,465	6,268	5,238	4,967	5,645	5,825	6,746	7,095	8,042	9,003
Cattle	1,474	1,580	1,410	1,403	1,458	1,381	1,372	1,156	1,905	1,572
Calves	100	31	40	61	47	53	71	101	94	104
Hogs	3,828	4,411	5,346	4,471	4,786	4,504	4,378	3,875	x	x
Sheep	30	41	47	6	0	2	0	0	x	x
Lambs	162	185	138	132	167	158	227	216	206	221
Dairy Products	4,011	5,000	5,965	7,327	8,534	9,449	11,001	12,151	x	x
Chicken & Fowl	5,624	6,898	7,983	7,777	10,540	11,842	10,646	10,794	11,719	12,398
Eggs	6,902	7,229	6,782	8,177	9,366	9,047	8,636	8,785	9,470	10,163
Wool	13	11	10	9	8	2	3	2	2	1
Furs	0	108	230	237	363	474	246	765	630	655
Misc Livestock ¹	221	122	162	204	255	296	330	333	20,202	21,090
Total Livestock & Products	22,365	25,616	28,113	29,804	35,524	37,208	36,910	38,178	44,228	46,204
Crop Ins. Payments	5	1	1	1	5	1	5	42	22	27
ASA Price Stabilization	84	294	11	1	185	2	2	0	7	1
Prov. Income Stab.	0	0	0	0	0	0	762	1,594	2,075	2,358
Other Payments	60	60	40	40	40	21	19	28	24	288
Total Payments	149	355	52	42	230	24	788	1,664	2,128	2,674
Total Cash Receipts	27,979	32,239	33,403	34,813	41,399	43,057	44,444	46,937	54,396	57,881

x Confidential

¹ Farm cash receipts for dairy and hog products are included in other livestock products for confidentiality reasons.

Table 2
Farm Operating Expenses and Depreciation Charges
Newfoundland and Labrador 1980 — 1989
\$ Thousand

Expenses	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Taxes (1)	26	28	30	32	36	46	63	73	76	80
Gross Farm Rent	197	204	209	217	215	175	160	182	172	175
Wages to Farm Labour	2,637	3,777	4,460	4,653	5,400	6,088	6,750	7,655	8,410	8,918
Interest on Indebtedness	1,043	1,524	1,616	1,777	1,971	1,737	2,095	2,173	2,459	2,807
Buildings &										
Fence Repairs (1)	401	458	499	533	533	561	604	610	685	720
Electricity & Telephone (2)	663	670	736	824	863	930	996	980	1,005	997
Total Machinery										
Expenses (2)	1,330	1,732	2,056	2,170	2,386	2,494	2,605	2,701	2,758	2,931
Petroleum, Diesel										
Oil & Lubricants	679	937	1,176	1,238	1,363	1,368	1,425	1,401	1,368	1,490
Repairs & Other Expenses	651	795	880	932	1,023	1,126	1,180	1,300	1,390	1,441
Fertilizer & Lime	868	1,010	996	945	992	971	1,010	1,180	1,275	1,300
Other Crop Expenses (4)	669	789	892	986	1,122	1,292	1,310	1,345	1,450	1,543
Feed	10,651	13,987	13,564	13,620	15,409	16,811	17,500	17,500	19,400	20,933
Other Livestock Exp (5)	82	105	904	829	1,039	1,438	1,311	1,331	1,571	1,228
Miscellaneous (6)	1,552	1,888	2,045	2,104	2,288	2,471	2,748	2,893	3,135	3,327
Depreciation on Buildings	827	859	746	691	620	613	594	605	616	627
Depreciation on Machinery	1,064	1,174	1,217	1,242	1,319	1,336	1,365	1,338	1,368	1,365
Total Operation & Depreciation	22,010	28,205	29,970	30,623	34,193	36,963	39,111	40,566	44,380	46,951

(1) Owned land and buildings only.

(2) For farm business share.

(3) Tires, anti-freeze, licenses, insurance, etc.

(4) Pesticides, nursery stock, irrigation, containers, seed and twine.

(5) Livestock purchases, artificial insemination charges, purebred livestock registration fees and veterinary expenses.

(6) Fencing, custom work, insurance and other equipment, supplies and services not previously specified

Source: Agriculture Economic Statistics Handbook, Statistics Canada, 21-603, 1990

Table 3
Income of Farm Operators From Farming Operations
Newfoundland and Labrador 1980 —1989
\$ Thousand

Year	Total Cash Receipts(1)	Operating Expenses after rebates	Net Cash Income	Income in Kind	Depreciation Charges	Realized Net Income	Value of Inventory Change	Total Net Income
1980	27,979	20,119	7,860	334	1,891	6,303	-499	5,804
1981	32,239	26,172	6,067	407	2,033	4,441	627	5,068
1982	33,403	28,007	5,396	393	1,963	3,826	-802	3,024
1983	34,813	28,690	6,123	388	1,933	4,578	1,171	5,749
1984	41,399	32,254	9,145	431	1,939	7,637	323	7,960
1985	43,057	35,014	8,043	470	1,949	6,564	-2	6,562
1986	44,444	37,152	7,292	353	1,959	5,686	-519	5,167
1987	46,937	38,623	8,314	365	1,943	6,736	1,086	7,822
1988	54,398	42,396	12,002	364	1,984	10,382	43	10,425
1989	57,881	44,959	12,922	375	1,992	11,305	773	12,078

(1) Includes Supplementary Payments

Source: Statistics Canada, 21-202, 1990

Table 4
Number of Agricultural Holdings, Acreage of Improved and Unimproved Land
Newfoundland and Labrador 1986

	Agricultural Holdings	Total Farm Area	Improved Land			Unimproved Land	
			Total (1)	Crops	Pasture	Total (2)	Woodland
Eastern	329	50,764	12,363	4,166	5,918	38,401	3,191
Central	157	10,052	4,154	2,361	968	5,898	1,693
West	165	29,529	10,204	5,522	2,550	19,505	8,041
Total	651	90,345	26,541	12,049	9,444	63,804	12,925

(1) Includes vegetable, fruit, nursery, cropland plus summerfallow and other improved land.

(2) Includes other improved land.

Source: Newfoundland Farm Development Loan Board

Table 5
Census Farms Classified by Product Type and Sales Class
Newfoundland and Labrador 1986

	Number of Census Farms	Under to \$2,500	\$2,500 to \$4,999	\$5,000 to \$9,999	\$10,000 to \$24,999	\$25,000 to \$49,999	\$50,000 to \$99,999	\$100,000 to \$249,999	\$250,000 to \$499,999	\$500,000 and over
Dairy	72	4	4	1	3	5	13	32	10	-
Cattle	101	56	22	9	9	3	1	-	-	1
Pigs	19	2	-	-	3	-	5	4	2	3
Poultry	60	6	1	1	2	-	7	11	11	21
Sheep & Lambs	61	48	9	1	3	-	-	-	-	-
Goats	5	3	2	-	-	-	-	-	-	-
Horses & Ponies	3	1	-	1	1	-	-	-	-	-
Fur	30	9	6	6	3	2	2	2	-	-
Other Livestock	1	1	-	-	-	-	-	-	-	-
Hay & Fodder	1	1	-	-	-	-	-	-	-	-
Potatoes	28	15	5	1	3	2	1	1	-	-
Fruits	17	3	2	3	5	3	-	1	-	-
Vegetables	110	30	14	21	24	15	4	2	-	-
Fruit & Vegetables	4	2	-	-	-	2	-	-	-	-
Greenhouses	46	10	-	7	9	6	8	3	1	2
Nursery Products	2	1	-	-	-	-	1	-	-	-
Cattle & Pigs	2	-	1	-	1	-	-	-	-	-
Cattle, Pigs & Sheep	3	1	-	2	-	-	-	-	-	-
Other Livestock										
Combination	8	-	3	3	2	-	-	-	-	-
All Other Types	78	43	8	11	9	3	1	2	1	-
Total	651	236	77	67	77	41	43	58	25	27

Source: Statistics Canada, Agriculture Census 1986

Table 6
Agriculture Branch's List of
Producers by Primary and Secondary Commodities
Newfoundland and Labrador 1989

Commodity	Primary	Secondary
Beef	74	13
Blueberries	12	0
Poultry		
Broilers	24	
Layers	32	
Undefined		6
Forage	36	*
Fur	117	9
Greenhouse	45	*
Hogs	13	10
Milk	79	4
Sheep	69	32
Soda	1	*
Specialty Crops	1	*
Strawberries	28	*
Turkeys	1	**
Vegetables	168	*
Other (Undefined)	32	0
Cash Crops	0	111
Total	732	

* Secondary commodity production included in secondary Cash Crop Category.

** Production of Turkeys as a secondary commodity included in Undefined Secondary Poultry category.

Primary Commodity is defined as the commodity from which a farming enterprise derives 50% or more of its gross income. A Secondary Commodity is defined as a commodity which produces 25% — 49% of gross income. Commodities earning less than 25% of gross income are not identified. Thus, a farm enterprise deriving 60% of its gross income from poultry, 30% from hogs and 10% from beef would be reflected as a primary producer of poultry and a secondary producer of hogs, but would not figure in beef producer statistics.

Source: Department of Forestry and Agriculture

Table 7
Distribution of Farm Enterprises by Region
Newfoundland and Labrador 1990

Region	Number of Enterprises
Avalon North	95
Avalon South	54
Bay de Verde-Cape Shore	155
Burin Peninsula	38
Bonavista Peninsula	42
Gander	54
Central-Grand Falls	40
Green Bay	53
Codroy Valley	50
Robinsons-Jeffrey's	55
Port au Port-Northern Peninsula	34
Humber Valley-Deer Lake	68
Labrador	14
Total	752*

* Total will not match data in Table 5 and Table 6 because different criteria were used in compilation.

Source: Task Force on Agrifoods, 1990

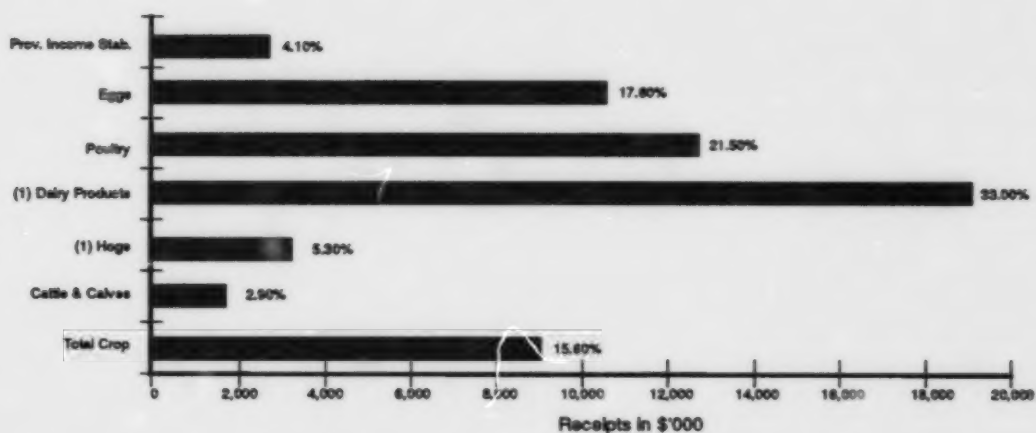
Table 8
Farm Enterprises by Commodity
Newfoundland and Labrador 1990

Commodity	Number of Enterprises
Vegetables	198
Dairy	72
Sheep	154
Broilers	20
Eggs	31
Strawberries	33
Forage	121
Beef	103
Blueberries	11
Fur	123
Greenhouse	52
Hogs	23
Sub-Total	940
Other (undefined)	69
Total	1,010*

* Total will not match number of farm enterprises total on Table 7 because of double counting.

Source: Task Force on Agrifoods, 1990.

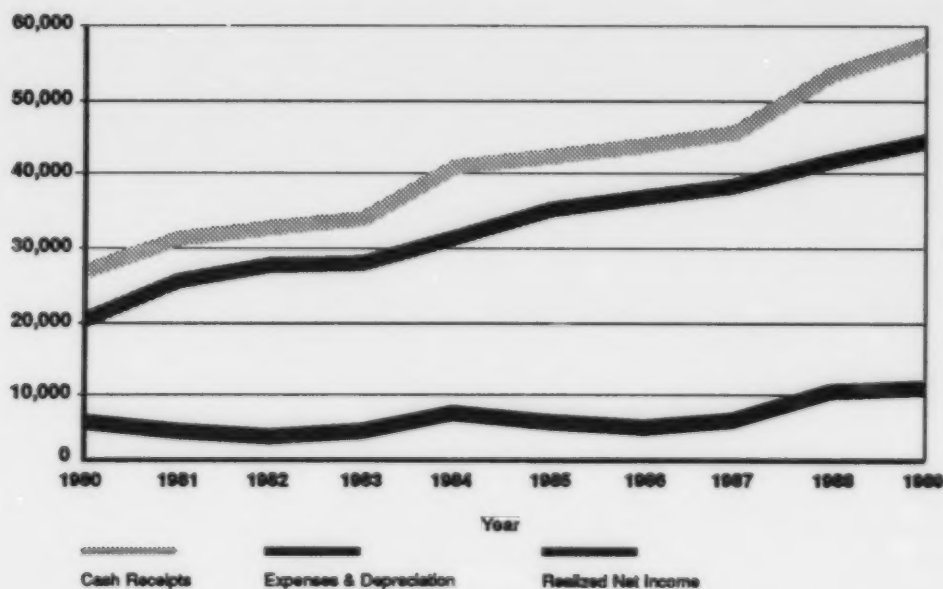
Figure 1
Source of Farm Cash Receipts
Newfoundland and Labrador 1989



(1) Values are based on Provincial Department estimates, not actual farm cash receipts

Source: Department of Forestry and Agriculture, 1990

Figure 2
Cash Receipts, Expenses, Net Farm Income
Newfoundland 1980 - 1989



Source: Department of Forestry and Agriculture, 1990